Wise Investment

Evenlode Income

Annual Short Report

For the year ended 29 February 2012

EVENLODE INCOME

INVESTMENT OBJECTIVE & POLICY

The investment objective of Evenlode Income is to produce attractive long-term total returns, with an emphasis on income. The Fund will invest predominately in the equity securities of companies listed in the United Kingdom, with the balance invested in the equity securities of companies listed internationally and cash (or near cash securities). The Fund may also invest in fixed income securities, collective investment schemes and derivatives for the purpose of efficient portfolio management from time to time. The Fund Manager aims to invest in a focused portfolio of shares in approximately 20-30 companies* offering a combination of high and growing cash-flows (to deliver both capital growth and dividend growth for the Fund) and low business risk. The Manager will undertake fundamental analysis to identify shares in companies that offer this combination.

** changed from 1 April 2012 (previously '20-30 investments')*

FUND FACTS

Launch date: 19 October 2009
Ex-dividend dates: 1 June, 1 September, 1 December, 1 March
Dividend payment dates: 31 July, 31 October, 31 January, 30 April
Total Expense Ratios[1]

A Shares – 1.73% p.a.

B Shares – 1.23% p.a.

[1] To 29 February 2012. As calculated in accordance with the FSA handbook COLL 4, Annex 1. The Total Expense Ratio ('TER') includes annual management charges ('AMCs') and other operating expenses (Depositary's fee, audit fee etc).

EVENLODE INCOME

CHANGES TO THE FUND

From 1 April 2012, the following changes were made to the Fund:

1) The Fund is now restricted to holding 10% of its Net Asset Value in other Collective Investment Schemes.
2) The investment objective and policy wording was amended slightly – see above.
3) The minimum investment level on the B Shares was reduced to £1,000 and the initial charge was also removed.

INVESTMENT REVIEW

Performance	Cumulative returns for the periods ended 29 February 2012 (%)		
	1 year	2 years	From launch
A Shares[1]	9.43	29.50	32.50
B Shares[1]	9.98	30.82	34.07
FTSE All-Share ‘Total Return’ Index	1.53	18.80	21.15
IMA UK Equity Income Sector Mean	2.22	19.39	21.07

[1] *Performance based on income shares.*

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.

EVENLODE INCOME

Performance Review

During the year to the 29th February 2012, Evenlode Income A and B shares rose +9.4% and +10.0% respectively. This compares to a rise of +1.5% for the FTSE All-Share and +2.2% for the IMA UK Equity Income sector. The full year dividend payment for the fund was 4.62p (A Inc shares), representing a +7.0% increase on the previous year.

The fund's performance was helped by a high exposure to consumer staples, healthcare and technology stocks. The biggest contributors to return over the period were Diageo, Glaxosmithkline, Unilever and Microsoft, all of which produced solid results during the period. Relative performance was also helped by the fund's very underweight position in the resources and financials sectors – both of which performed poorly over the year.

The 'New Normal' is a lot like the 'Old Normal'

The small rise in the UK market over the period under review masked a very volatile period for global stock markets in which sentiment swung from cautious optimism, to despair, and then back to cautious optimism again. August 2011 was a particularly gruelling period as a resurfacing of worries over both the on-going Eurozone crisis and the sustainability of the global economic recovery led to heavy falls in global stock markets. From there, however, markets rallied strongly thanks to a stabilisation and pick-up in the US economy, and a huge injection of liquidity into the Eurozone via the European Central Bank.

Such volatility has become a signature note of investment markets over the last three post-crisis years. Lower trend economic growth, shorter business cycles, more frequent recessions and heightened government intervention are all becoming very familiar themes. The bond investor Bill Gross has dubbed this new era 'the new normal', a phrase that has quickly entered the investment vernacular. From a very long-term perspective, however, current levels of trend growth and economic volatility are by no means unheard of – only when directly compared with recent history do they look abnormal. As the Economic Cycle Research Institute recently pointed out:

"Starting in the early 1980s, we got three relatively long expansions (8 years, 10 years and over 6 years) back-to-back so many people think that's the norm. But we now have extraordinarily low trend growth, and the Great Moderation of the business cycle is history. More frequent recessions should not be a surprise, nor is it unusual. For example, from 1969-82 the U.S. had four recessions in less than 13 years. Going back a bit further, from 1799-1929 almost 90% of expansions lasted three years or less."

Perhaps it's more appropriate to describe the current era as the 'old normal' – back to muddling through, coping with uncertainty, and facing down more frequent recessions. For a time-travelling investor from most of the last two centuries, it would all feel quite familiar, and not too terrible.

EVENLODE INCOME

Creating Shareholder Value In A Slow Growth World

In this harsher climate, Evenlode businesses have continued to grind out very reassuring growth in both cash-flows and dividends. It is true that in most industries demand growth is now slower than it was in the pre-crisis years. However, this slowdown is by no means disastrous. For many Evenlode businesses, the impact has been fairly small (thanks to economic resilience but also thanks to sizable exposures to higher growth rates in emerging markets). Consumer staples markets were growing at 4-5% per annum pre-crisis, for instance. Since 2007, the trend growth rate has dropped, but is still running at a reasonably healthy 3-4%.

For other businesses the impact has been more severe but, in aggregate, the current stocks in the Evenlode portfolio have demonstrated they are well equipped to withstand the new economic era. In particular, they have benefited from two positives that go a long way to offset lower volumes. First, weaker competition has in some cases dropped by the wayside. Second, cut-backs and an increased focus on capital discipline have resulted in a decline in new capacity for many industries. There is less volume to chase, but there is also less capital chasing it. This has been particularly evident in more cyclical markets where, for instance, businesses such as WS Atkins and Severfield Rowen have been able to make big market share gains as competitors have steadily withdrawn. The strong are quietly growing stronger.

Outlook

Looking ahead, there is a long worry-list for investors. In particular, the risk of a severe slowdown in China and the ongoing crisis in the Eurozone loom large. In the end, however, it is companies that we invest in, not the economy, and the quality characteristics of the portfolio remain very high, with a large portion of the fund positioned in global leaders with strong brands, franchises and balance sheets. Businesses with excellent economics have a history of coping in adversity, and when the economy does eventually return to a more sustainable growth trajectory, they will thrive. I feel positive for the portfolio's prospects, and continue to invest all of my own long-term savings in the fund.

Hugh Yarrow
Fund Manager

12 June 2012

TOP TEN HOLDINGS

Top Ten Holdings as at 29 February 2012	(%)	Top Ten Holdings as at 28 February 2011	(%)
Unilever	9.9	Unilever	6.5
Diageo	6.4	GlaxoSmithKline	6.1
Reed Elsevier	5.9	Diageo	5.9
Reckitt Benckiser	5.5	Reed Elsevier	5.1
Sage Group	5.3	AstraZeneca	4.6
GlaxoSmithKline	4.2	Johnson & Johnson	4.5
Microsoft	4.0	BG Group	4.2
Smith & Nephew	3.7	Sage Group	4.1
Imperial Tobacco	3.6	Coca Cola	3.7
AstraZeneca	3.3	Smith & Nephew	3.3

EVENLODE INCOME

PERFORMANCE

Share Prices and Revenue

	B Income shares			A Income shares		
Calendar year	Highest price (pence)	Lowest price (pence)	Net revenue distributed per share (pence)	Highest price (pence)	Lowest price (pence)	Net revenue distributed per share (pence)
2009[1]	103.09	97.78	-	103.05	97.77	-
2010	119.28	99.00	3.2294	118.62	98.91	3.2084
2011	121.79	105.15	4.3441	120.80	104.24	4.3183
2012[2]	124.67	116.93	2.6499	123.27	115.69	2.6235

	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)
2009[1]	103.36	98.04	-	103.31	98.02	-
2010	124.21	99.26	3.2481	123.54	99.16	3.2436
2011	129.37	111.70	4.5353	128.34	110.75	4.5090
2012[2]	134.86	126.48	2.8465	133.36	125.16	2.8190

[1] *From 19 October.*

[2] *Prices to 29 February and net revenue to 30 April.*

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.

EVENLODE INCOME

Dividend distributions/accumulations for the year ended 29 February 2012 (pence per share)

Share Class	Quarter Ended:	31 May 2011	31 Aug 2011	30 Nov 2011	29 Feb 2012
	Pay Date:	31 Jul 2011	31 Oct 2011	31 Jan 2012	30 Apr 2012
B Income		1.0068	1.0077	1.0089	1.6410
A Income		1.0000	1.0000	1.0000	1.6235
B Accumulation		1.0604	1.0658	1.0762	1.7703
A Accumulation		1.0535	1.0578	1.0670	1.7520

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.

EVENLODE INCOME

Net Asset Values

	B Income shares			A Income shares		
Date	Total shares in issue	NAV per share (pence)	NAV (£)	Total shares in issue	NAV per share (pence)	NAV (£)
28 Feb 2010	852,905	101.77	868,008	412,600	101.66	419,434
28 Feb 2011	1,317,011	115.34	1,519,018	995,217	114.60	1,140,562
29 Feb 2012	2,968,043	121.54	3,607,281	1,396,118	120.15	1,677,490

	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 (£)
28 Feb 2010	147,897	103.00	152,338	640,873	102.86	659,222
28 Feb 2011	589,384	121.49	716,047	1,369,747	120.74	1,653,821
29 Feb 2012	1,506,489	133.24	2,007,266	1,881,252	131.75	2,478,494

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 (A class shares 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.

EVENLODE INCOME

OTHER INFORMATION

The Company

TB Wise 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/Wise

Authorised and regulated by the Financial Services Authority.

Investment Manager

Wise Investments Limited
Broadstone Grange
Broadstone Hill, Old Chalford
Chipping Norton
Oxfordshire OX7 5QL

Tel:	0845 8033 433
Fax:	0845 8035 433
Website:	www.wiseinvestment.co.uk

Authorised and regulated by the Financial Services Authority.

Depositary (From 21 October 2011)

National Westminster Bank Plc
135 Bishopsgate
London EC2M 2UR

Authorised and regulated by the Financial Services Authority.

Previous Depositary (to 21 October 2011)

The Royal Bank of Scotland plc
Trustee & Depositary Services
Ground Floor
15 Bishopsgate
London EC2P 2AP

Authorised and regulated by the Financial Services 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.

Further information regarding the activities and performance of the Fund for this and previous periods is available on request from the ACD as are copies of the Annual and Interim Report and Financial Statements.