



Evenlode Income

Interim Short Report

For the six month period ended 31 August 2015

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 predominantly 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 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.

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

Synthetic Risk and Reward Indicator Ranking¹: 5

Ongoing Charges Figures²:

C Shares - 0.85% p.a.

B Shares - 0.95% p.a.

A Shares - 1.45% p.a.

¹ As calculated in accordance with ESMA 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 August 2015. As calculated in accordance with ESMA guidelines. The Ongoing Charge Figure ('OCF') includes annual management charges ('AMCs') and other operating expenses (Depositary's fee, audit fee etc).

CHANGES TO THE FUND

On 27 April 2015 the Fund's Investment Policy was amended slightly. On this date the following sentence was removed: '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.' This has now been replaced with the following sentence: 'The fund manager aims to invest in a focused portfolio of shares offering a combination of high and growing cash-flows (to deliver both capital growth and dividend growth for the fund) and low business risk.'

On 30 April 2015 the Fund launched two new share classes; C Income and C Accumulation.

Also on 27 April 2015 the Fund introduced a periodic charge equivalent to the ongoing charges figure. From this date the Annual Management Charge and Ongoing Charges Figure for each share class will be capped at the following rates; B shares 0.95% p.a. and A shares 1.45% p.a. The C Shares are also capped at 0.85%.

The Authorised Corporate Director (the 'ACD') of Evenlode Income Fund is T. Bailey Fund Services Limited ('TBFS'). TBFS was previously called T. Bailey Fund Managers Limited and the name was changed on 30 June 2015.

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INVESTMENT REVIEW

| Performance | Cumulative returns for the periods ended 31 August 2015 (%) | | | | |
|--|---|--------|---------|---------|--------------------------|
| | 6 months | 1 year | 3 years | 5 years | From launch ¹ |
| Evenlode Income Fund - B Shares ² | (5.06) | 4.38 | 43.47 | 85.39 | 98.87 |
| Evenlode Income Fund - A Shares ² | (5.28) | 3.90 | 41.39 | 80.81 | 93.19 |
| IA UK Equity Income Sector Mean | (3.41) | 2.76 | 37.98 | 67.35 | 71.53 |

¹From 19 October 2009.

²Performance based on income shares.

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

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.

During the six months under review (28 February 2015 to 31 August 2015) the UK stock market fell, erasing most of the gains seen in the first two months of 2015. Several developments troubled financial markets: Greece flirted with exit from the Eurozone; China's economic slowdown and structural imbalances loomed increasingly large, and commodity prices and emerging market currencies fell sharply. The UK and the US economies were relative bright spots in this context, and their currencies strengthened accordingly. The continued recovery in Anglo-Saxon economies also led to another development for investors to consider: the prospect of rising interest rates for the first time in several years. On the political front, sentiment towards the UK was helped by the unexpected Conservative majority victory in the May election which removed short-term political uncertainty. However, questions regarding both the UK's constitution and its place in the Eurozone are likely to bubble up in the coming five years. More broadly, the rise of nationalism and more radical politics, particularly across Europe, has been a noticeable trend.

In the context of this mixed economic and political backdrop, it is reassuring that dividends and dividend growth from the portfolio have remained solid. The fund's first and second quarter dividends have been increased to 1.4p (B Inc shares), a year-on-year increase of approximately +6% and +5% respectively. Constructing a portfolio capable of real sustainable dividend growth over time remains a key focus for us.

In terms of total return (i.e. the combined return from dividends and capital performance), Evenlode fell -5.1% over the six months compared to a fall of -3.4% for the IA UK Equity Income sector (since launch in October 2009 Evenlode has risen +98.9% compared to +71.5% for the IA UK Equity Income sector).

The main negative contribution to performance came from two of the fund's key sectors: consumer branded goods and healthcare. We have added to our holdings in both sectors during the period as dividend yields have become increasingly attractive following share price falls. Consumer branded goods stocks were impacted by worries over the sector's exposure to emerging markets and the impact rising interest rates may have on the valuations of these companies (they are now referred to, pejoratively, as 'bond-proxies'). In our view, these stocks

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are quite different financial assets to bonds, specifically thanks to their ability to generate real dividend growth over the long-term. In terms of emerging market exposure, a slowdown in economic growth and currency weakness is acting as a drag on these company's operations in the developing world. However, key holdings such as Unilever, Diageo, Imperial Tobacco and Procter & Gamble remain highly cash generative companies thanks to asset-light business models and the resilient demand profile of their products. We like the balance that these global businesses enjoy between developed and developing markets, and their ability to continue investing in future growth, even during more difficult periods.

Healthcare stocks also struggled, not helped by worries over the impact of currency on reported results and pricing pressures in the US primary care market. Evenlode's key holdings in this sector are AstraZeneca, GlaxoSmithKline and Johnson & Johnson. We think these holdings offer interesting long-term value, with investors currently unwilling to give drug pipelines much credit at all. Over coming years, the negative impact from falling sales of older blockbuster therapies will ease, while growth potential in other areas looks good. AstraZeneca's pipeline, for instance, is particularly promising in the area of immuno-oncology, while Glaxo has good growth prospects in its consumer healthcare, vaccine and HIV businesses. Johnson & Johnson remains a very high quality franchise, as evidenced by market leading positions across pharmaceuticals, consumer healthcare and medical equipment. It continues to enjoy a very strong balance sheet and has a 53 year history of unbroken dividend growth.

The most positive contributors to Evenlode's performance were Domino Printing, Sage Group and PayPoint. Domino Printing received a takeover approach from Japanese firm Brother in March, and the acquisition was completed in June. Sage and PayPoint reported solid operational performance during the period and dividend increases of +8% and +9% respectively. Both companies are asset-light technology companies with strong cash generative characteristics. They continue to reinvest in their businesses to develop new products and strengthen their competitive positions. This ability - to self-fund consistent reinvestment in organic growth - is a characteristic we find very attractive and tends to lead to good compounding of cash flow and dividends over time.

The overall shape of the portfolio remained relatively unchanged during the period, particularly in terms of the fund's larger positions which in our view offer a good balance of attractive current yields and the potential for dividend growth. The main changes to the portfolio related to several smaller positions. We added RWS Holdings (intellectual property support services), RPS Group (environmental consulting) and Halfords to the portfolio during the period. All are cash generative businesses that trade on attractive dividend yields with potential for dividend growth. In terms of sales, we exited Hays on valuation grounds, which has been a very strong performer for the fund over the last few years. We also sold Weir Group and Amec for fundamental reasons. Both companies are engineers with a high exposure to the energy sector. This sector is currently in a very severe downturn (arguably the worst for 30 years) and we have some worries regarding the dividend sustainability for these two companies if the downturn continues for a protracted period. Finally, we consolidated our overseas-listed holdings by exiting small positions in SAP, Wolters Kluwer and Sanofi. Good performance had left these stocks on less attractive dividend yields and valuations than we saw elsewhere in the portfolio.

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OUTLOOK

It is now nearly seven years since the apex of the global financial crisis, but it continues to cast a long shadow over the global economy and financial markets. Current problems in China and Greece in many ways represent aftershocks of this great crisis. The lower oil price is beginning to benefit the disposable incomes of many consumers but even in the US and UK, where economic growth is currently relatively strong, consumers continue to squirrel money away in what may, when viewed with more perspective, represent a structural increase in the savings rate. Though the recession officially ended in 2009, six years later the scars are still healing.

Our general view on the macro-economic environment is that uncertainty and complexity is the normal state of affairs, and this is no less the case in the current environment. Much talk has focused on the potential for rising interest rates and the return of inflationary pressures in coming months, but the risk of ongoing deflationary pressures and low economic growth remains very real too.

We continue to focus the Evenlode fund on market-leading companies that sell repeat-purchase and/or mission-critical products and, crucially, generate healthy levels of excess cash. This type of business tends to be good at coping with geopolitical and economic uncertainties, whilst continuing to deliver a steady dividend stream. Valuations in the UK market aren't, in aggregate, as compelling as they were three or four years ago (notwithstanding the recent market correction). But there are still resilient, cash generative companies available on attractive starting dividend yields. In an uncertain world with no shortage of day-to-day noise and cross-currents, this fact is reassuring and gives us cautious optimism for the future.



Hugh Yarrow
Fund Manager
16 October 2015

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TOP TEN HOLDINGS

| Top Ten Holdings as at 31 August 2015 | (%) | Top Ten Holdings as at 28 February 2015 | (%) |
|--|------------|--|------------|
| Unilever | 7.6 | Unilever | 7.1 |
| AstraZeneca | 6.9 | Diageo | 6.1 |
| Diageo | 6.9 | GlaxoSmithKline | 5.9 |
| GlaxoSmithKline | 6.3 | AstraZeneca | 5.9 |
| Imperial Tobacco | 6.2 | Pearson | 5.2 |
| Pearson | 4.8 | Sage Group | 5.2 |
| Sage Group | 4.7 | Imperial Tobacco | 4.6 |
| Johnson & Johnson | 4.5 | British American Tobacco | 3.9 |
| Procter & Gamble | 3.9 | Johnson & Johnson | 3.3 |
| Jardine Lloyd Thompson | 3.5 | Procter & Gamble | 3.3 |

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PERFORMANCE

| B Income Shares | 1 Mar 2015 to 31 Aug 2015 (pence per share) | 1 Mar 2014 to 28 Feb 2015 (pence per share) | 1 Mar 2013 to 28 Feb 2014 (pence per share) | 1 Mar 2012 to 28 Feb 2013 (pence per share) |
|---------------------------------------|--|--|--|--|
| Change in net assets per share | | | | |
| Opening net asset value per share | 170.42 | 155.78 | 138.19 | 121.53 |
| Return before operating charges* | (6.71) | 22.42 | 24.82 | 23.25 |
| Operating charges | (0.78) | (1.51) | (1.66) | (1.57) |
| Return after operating charges* | (7.49) | 20.91 | 23.16 | 21.68 |
| Distributions on income shares | (2.80) | (6.27) | (5.57) | (5.02) |
| Closing net asset value per share | 160.13 | 170.42 | 155.78 | 138.19 |
| *after direct transaction costs of: | 0.30 | 1.21 | 0.57 | 0.74 |
| Performance | | | | |
| Return after charges | (4.40)% | 13.42% | 16.76% | 17.84% |
| Other Information | | | | |
| Closing net asset value | £42,211,523 | £230,663,365 | £27,172,843 | £12,148,042 |
| Closing number of shares | 26,361,339 | 135,346,122 | 17,443,347 | 8,790,595 |
| Operating charges (p.a.) | 0.95% | 0.95% | 1.12% | 1.25% |
| Direct transaction costs (p.a.) | 0.35% | 0.76% | 0.38% | 0.59% |
| Prices | | | | |
| Highest published share price | 177.03 | 172.43 | 158.50 | 141.25 |
| Lowest published share price | 155.72 | 147.86 | 138.25 | 115.21 |

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.

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| B Accumulation Shares | 1 Mar 2015 to 31 Aug 2015 (pence per share) | 1 Mar 2014 to 28 Feb 2015 (pence per share) | 1 Mar 2013 to 28 Feb 2014 (pence per share) | 1 Mar 2012 to 28 Feb 2013 (pence per share) |
|--|--|--|--|--|
| Change in net assets per share | | | | |
| Opening net asset value per share | 209.33 | 184.21 | 157.54 | 133.24 |
| Return before operating charges* | (8.36) | 26.96 | 28.59 | 26.05 |
| Operating charges | (0.98) | (1.84) | (1.92) | (1.75) |
| Return after operating charges* | (9.34) | 25.12 | 26.67 | 24.30 |
| Closing net asset value per share | 199.99 | 209.33 | 184.21 | 157.54 |
| Retained distributions on accumulation shares | 3.44 | 7.50 | 6.43 | 5.58 |
| *after direct transaction costs of: | 0.37 | 1.46 | 0.66 | 0.83 |
| Performance | | | | |
| Return after charges | (4.46)% | 13.64% | 16.93% | 18.24% |
| Other Information | | | | |
| Closing net asset value | £32,356,976 | £46,482,840 | £17,083,663 | £9,212,634 |
| Closing number of shares | 16,179,634 | 22,205,834 | 9,273,874 | 5,847,726 |
| Operating charges (p.a.) | 0.95% | 0.95% | 1.12% | 1.25% |
| Direct transaction costs (p.a.) | 0.35% | 0.76% | 0.38% | 0.59% |
| Prices | | | | |
| Highest published share price | 217.44 | 208.98 | 184.98 | 158.92 |
| Lowest published share price | 192.80 | 177.76 | 157.61 | 127.34 |

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| A Income Shares | 1 Mar 2015 to 31 Aug 2015 (pence per share) | 1 Mar 2014 to 28 Feb 2015 (pence per share) | 1 Mar 2013 to 28 Feb 2014 (pence per share) | 1 Mar 2012 to 28 Feb 2013 (pence per share) |
|---------------------------------------|--|--|--|--|
| Change in net assets per share | | | | |
| Opening net asset value per share | 165.98 | 152.43 | 135.92 | 120.16 |
| Return before operating charges* | (6.51) | 21.89 | 24.34 | 22.86 |
| Operating charges | (1.18) | (2.21) | (2.36) | (2.15) |
| Return after operating charges* | (7.69) | 19.68 | 21.98 | 20.71 |
| Distributions on income shares | (2.72) | (6.13) | (5.47) | (4.95) |
| Closing net asset value per share | 155.57 | 165.98 | 152.43 | 135.92 |
| *after direct transaction costs of: | 0.29 | 1.18 | 0.56 | 0.72 |
| Performance | | | | |
| Return after charges | (4.63)% | 12.91% | 16.17% | 17.24% |
| Other Information | | | | |
| Closing net asset value | £697,992 | £570,917 | £538,210 | £1,351,911 |
| Closing number of shares | 448,671 | 343,964 | 353,089 | 994,633 |
| Operating charges (p.a.) | 1.45% | 1.45% | 1.62% | 1.75% |
| Direct transaction costs (p.a.) | 0.35% | 0.76% | 0.38% | 0.59% |
| Prices | | | | |
| Highest published share price | 172.36 | 167.93 | 155.10 | 138.94 |
| Lowest published share price | 151.30 | 144.25 | 135.98 | 113.75 |

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| A Accumulation Shares | 1 Mar 2015 to 31 Aug 2015 (pence per share) | 1 Mar 2014 to 28 Feb 2015 (pence per share) | 1 Mar 2013 to 28 Feb 2014 (pence per share) | 1 Mar 2012 to 28 Feb 2013 (pence per share) |
|--|--|--|--|--|
| Change in net assets per share | | | | |
| Opening net asset value per share | 203.95 | 180.30 | 154.98 | 131.75 |
| Return before operating charges* | (8.11) | 26.28 | 28.04 | 25.62 |
| Operating charges | (1.46) | (2.63) | (2.72) | (2.39) |
| Return after operating charges* | (9.57) | 23.65 | 25.32 | 23.23 |
| Closing net asset value per share | 194.38 | 203.95 | 180.30 | 154.98 |
| Retained distributions on accumulation shares | 3.35 | 7.33 | 6.31 | 5.50 |
| *after direct transaction costs of: | 0.35 | 1.41 | 0.64 | 0.80 |
| Performance | | | | |
| Return after charges | (4.69)% | 13.12% | 16.34% | 17.63% |
| Other Information | | | | |
| Closing net asset value | £1,559,862 | £1,393,195 | £1,524,720 | £2,480,420 |
| Closing number of shares | 802,491 | 683,100 | 845,645 | 1,600,468 |
| Operating charges (p.a.) | 1.45% | 1.45% | 1.62% | 1.75% |
| Direct transaction costs (p.a.) | 0.35% | 0.76% | 0.38% | 0.59% |
| Prices | | | | |
| Highest published share price | 211.79 | 203.61 | 181.07 | 156.35 |
| Lowest published share price | 187.41 | 173.48 | 155.05 | 125.76 |

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| C Income Shares | 30 Apr 2015 to* 31 Aug 2015 (pence per share) |
|---------------------------------------|--|
| Change in net assets per share | |
| Opening net asset value per share | 171.06 |
| Return before operating charges* | (7.59) |
| Operating charges | (0.49) |
| Return after operating charges* | (8.08) |
| Distributions on income shares | (2.80) |
| Closing net asset value per share | 160.18 |
| *after direct transaction costs of: | 0.20 |
| Performance | |
| Return after charges | (4.72)% |
| Other Information | |
| Closing net asset value | £212,601,650 |
| Closing number of shares | 132,730,800 |
| Operating charges (p.a.) | 0.85% |
| Direct transaction costs (p.a.) | 0.35% |
| Prices | |
| Highest published share price | 176.80 |
| Lowest published share price | 155.76 |

* The C Income shares were launched on 30 April 2015.

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| C Accumulation Shares | 30 Apr 2015 to* 31 Aug 2015 (pence per share) |
|---|--|
| Change in net assets per share | |
| Opening net asset value per share | 210.10 |
| Return before operating charges* | (9.44) |
| Operating charges | (0.61) |
| Return after operating charges* | (10.05) |
| Closing net asset value per share | 200.05 |
| Retained distributions on accumulation shares | 3.44 |
| *after direct transaction costs of: | 0.24 |
| Performance | |
| Return after charges | (4.78)% |
| Other Information | |
| Closing net asset value | £17,962,670 |
| Closing number of shares | 8,979,297 |
| Operating charges (p.a.) | 0.85% |
| Direct transaction costs (p.a.) | 0.35% |
| Prices | |
| Highest published share price | 217.15 |
| Lowest published share price | 192.85 |

* The C Accumulation shares were launched on 30 April 2015.

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Dividend distributions/accumulations for the six month period ended 31 August 2015 (pence per share)

| Share Class | Quarter Ended | |
|----------------|----------------------------------|-------------------------------------|
| | 31 May 2015 (pence per share) | 31 August 2015 (pence per share) |
| B Income | 1.3970 | 1.3986 |
| A Income | 1.3600 | 1.3600 |
| C Income | 1.3970 | 1.3987 |
| B Accumulation | 1.7159 | 1.7275 |
| A Accumulation | 1.6711 | 1.6805 |
| C Accumulation | 1.7159 | 1.7275 |

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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.

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OTHER INFORMATION

The Company

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ACD

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Authorised and regulated by the Financial Conduct Authority.

Investment Manager

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Tel: 01608 646 738
Fax: 01608 641 955
Website: www.wiseinvestment.co.uk

Authorised and regulated by the Financial Conduct Authority.

Depository

National Westminster Bank Plc
135 Bishopsgate
London EC2M 3UR

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.

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



TBFS

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