



Wise Investment

TB WISE INVESTMENT FUNDS

ANNUAL REPORT &
AUDITED FINANCIAL STATEMENTS

For the year ended 28 February 2017

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Note: The Authorised Corporate Director’s Report consists of ‘Authorised Status’ and ‘Structure of the Company’ on page 2, ‘Authorised Status’ and ‘Investment Objective and Policy’ on pages 9, 36, and 71, ‘Investment Review’ as provided by the Investment Manager, on pages 10 to 14, 37 to 42, and 72 to 74, and ‘Directory’ on page 101.

THE AUTHORISED CORPORATE DIRECTOR

The Authorised Corporate Director (the 'ACD') of TB Wise Investment Funds (the 'Company') is T. Bailey Fund Services Limited. Wise Investments Limited is the Investment Manager (the 'Investment Manager') of the Company.

Wise Investments Limited and T. Bailey Fund Services Limited are authorised and regulated by the Financial Conduct Authority. Further information about Wise Investments Limited and the funds which it manages can be found at www.wiseinvestment.co.uk.

YOUR INVESTMENTS

You can buy or sell shares in the sub-funds of the Company through your Financial Advisor. Alternatively, you can telephone the dealing line; 0115 988 8258, during normal office hours. Application forms can be requested in writing from the ACD or by calling the Client Services Team on the dealing line. They can also be downloaded from the website: www.tbaileyfs.co.uk/funds/tb-wise-investment-funds.

The sub-funds are eligible for ISA investments/transfers and the shares are available as part of a regular savers scheme.

Prices for the sub-funds are published each normal business day on www.tbaileyfs.co.uk/funds/tb-wise-investment-funds and also via the website; www.fundlistings.com.

OTHER INFORMATION

Full details of TB Wise Investment Funds are set out in the Prospectus. This document provides investors with extensive information about the funds including risks and expenses. A copy of the Prospectus is available on request from the ACD, or can be found at www.tbaileyfs.co.uk/funds/tb-wise-investment-funds.

The Key Investor Information documents and Supplementary Information document are also available at www.tbaileyfs.co.uk/funds/tb-wise-investment-funds.

AUTHORISED STATUS

TB Wise Investment Funds is an open-ended investment company (an 'OEIC') with variable capital, as defined in the Glossary to the Financial Conduct Authority ('FCA') Handbook, incorporated in England and Wales under registration number IC283. The effective date of the authorisation order made by the FCA was 4 February 2004.

Shareholders are not liable for the debts of the Company. Shareholders are not liable to make any further payment to the Company after they have paid the price on purchase of the Shares.

STRUCTURE OF THE COMPANY

The Company is structured as an umbrella company and different sub-funds may be established by the ACD with the agreement of the Depositary and the approval of the FCA. On the introduction of any new sub-fund, or share class, a revised prospectus will be prepared and issued.

The Company is compliant with the Protected Cell Regime for OEICs. Under the Protected Cell Regime, each sub-fund represents a segregated portfolio of assets and accordingly, the assets of the sub-fund belong exclusively to that sub-fund and shall not be used or made available to discharge (directly or indirectly) the liabilities of, or claims against, any other person or body, including any other sub-fund and shall not be available for any such purpose.

Currently, there are three sub-funds; TB Wise Investment, TB Wise Income and Evenlode Income.

TB Wise Strategic Fund closed on 30 September 2016.

The base currency of the Company is Pounds Sterling.

CROSS HOLDINGS BETWEEN SUB-FUNDS

As at the period end there were no cross holdings between the three sub-funds.

CLOSURE OF TB WISE STRATEGIC FUND

On 30 September 2016, following approval by shareholders in an extraordinary general meeting on 28 September 2016, all shareholders and investments of TB Wise Strategic Fund (a sub fund of TB Wise Investment Funds) were transferred to a new fund, the TB Elite Strategic Fund, via a Scheme of Arrangement. All remaining assets and liabilities were realised and the Fund has now been wound up.

Remuneration policy of the ACD

TBFS and the holding company of TBFS, T. Bailey Holdings Limited ('TBH'), have the following policies and practices for those staff whose professional activities have a material impact on the risk profile of the activities of the ACD. Based on FCA guidance the ACD is considered as Proportionality Level 3 under the Remuneration Code as total assets under administration are less than £15bn. TBFS is a UCITS firm and is therefore subject to the UCITS V Directive Remuneration Code.

The Remuneration Policy of the ACD:

- (i) Is consistent with and promotes sound and effective risk management;
- (ii) Does not encourage risk taking that exceeds the level of tolerated risk of the relevant UCITS managed by TBFS;
- (iii) Encourages behaviour that delivers results which are aligned to the interests of the UCITS managed by TBFS;
- (iv) Aligns the interests of Code Staff with the long-term interests of TBFS, the funds it manages and its investors;
- (v) Recognises that remuneration should be competitive and reflect both financial and personal performance. Accordingly, Remuneration for Code Staff is made up of fixed pay (salary and benefits, including pension) and variable (performance-related) pay;
- (vi) Recognises that fixed and variable components should be appropriately balanced and that the variable component should be flexible enough so that in some circumstances no variable component may be paid at all. Variable pay is made up of short-term awards typically based on short-term financial and strategic measures for the area of the business in which the member of Code Staff works;

There is no remuneration committee. The Board of TBH oversees the setting and review of remuneration levels performed by the operating Board of TBFS. From an overall group perspective and operating company level, remuneration is set within the context of a 5-year plan which ensures any threats to capital adequacy, liquidity and solvency caused by excessive remuneration would be identified. The bonus arrangements including the staff bonus pool are set annually as part of the annual operating plan and any changes to the pool require approval by the CEO of TBFS and also the Board of TBH.

The main shareholders are represented on the Board of TBH which ratifies the annual operating plans. The annual operating plan includes the level of remuneration for all staff including Code Staff.

To assist with the above process, a benchmarking exercise was conducted in 2015 which incorporated information from external consultants in connection with remuneration.

The staff bonus scheme is operated so as to allow for meaningful rewards to be paid to staff whose performance during the year merits recognition but within the context of an annual operating plan. The TBH Board bears in mind the projected performance of the companies when making any adjustments to the scheme. Payment of scheme bonus to individuals is linked to their performance against agreed objectives from staff appraisals.

The ACD has elected to adopt the UCITS V Directive's Remuneration Code ahead of the compulsory adoption date of 1 January 2017.

REMUNERATION POLICY OF THE AUTHORISED CORPORATE DIRECTOR (CONTINUED)

Total remuneration paid by the ACD for the year ended 30 September 2016

Total Number of Staff	33
	£
Fixed	1,061,197
Variable	5,000
Total Remuneration Paid	1,066,197

Total remuneration paid by the ACD to Remuneration Code Staff for the year ended 30 September 2016

	Senior Management	Staff with Material Impact
Total Number of Staff	7	2
	£	£
Fixed	563,542	100,345
Variable	4,000	-
Total Remuneration Paid	567,542	100,345

Please note that there were no remuneration payments made directly from TB Wise Investment Funds or any of its sub-funds.

STATEMENT OF THE AUTHORISED CORPORATE DIRECTOR'S RESPONSIBILITIES

The Authorised Corporate Director (“ACD”) of TB Wise Investment Funds (“Company”) is responsible for preparing the Report and the financial statements in accordance with the Open-Ended Investment Companies Regulations 2001 (“the OEIC Regulations”), the Financial Conduct Authority’s Collective Investment Schemes’ Sourcebook (“COLL”) and the Company’s Instrument of Incorporation.

The OEIC Regulations and COLL require the ACD to prepare financial statements for each accounting period which:

- are in accordance with United Kingdom Generally Accepted Accounting Practice (“United Kingdom Accounting Standards and applicable law”), including FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” and the Statement of Recommended Practice: “Financial Statements of Authorised Funds” issued by the Investment Association (“IA SORP”) in May 2014; and
- give a true and fair view of the financial position of the Company and each of its sub-funds as at the end of that period and the net revenue or expense and the net capital gains or losses on the property of the Company and each of its sub-funds for that period.

In preparing the financial statements, the ACD is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards and the IA SORP have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in operation.

The ACD is responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable it to ensure that the financial statements comply with the applicable IA SORP and United Kingdom Accounting Standards and applicable law. The ACD is also responsible for the system of internal controls, for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTOR'S STATEMENT

In accordance with COLL 4.5.8BR, the Report and the financial statements were approved by the board of directors of the ACD of the Company and authorised for issue on 2 June 2017.

The Directors are of the opinion that it is appropriate to continue to adopt the going concern basis in the preparation of the financial statements as the assets of the Company and sub-funds consist predominantly of readily realisable securities and accordingly the Company has adequate resources to continue in operational existence in the foreseeable future.

Helen Stevens
Chief Executive Officer
T. Bailey Fund Services Limited
2 June 2017

Richard Taylor
Compliance Director
T. Bailey Fund Services Limited
2 June 2017

STATEMENT OF DEPOSITARY'S RESPONSIBILITIES

The Depositary must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook ("COLL"), the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228) (the OEIC Regulations), as amended, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Company's Instrument of Incorporation and Prospectus (together "the Scheme documents") as detailed below.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Company and its investors.

The Depositary is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Company in accordance with the Regulations.

The Depositary must ensure that:

- the Company's cash flows are properly monitored (this Requirement on the Depositary applied from 18 March 2016) and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, redemption and cancellation of shares are carried out in accordance with the Regulations;
- the value of shares of the Company are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
- the Company's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Corporate Director ("the ACD") are carried out (unless they conflict with the Regulations).

The Depositary also has a duty to take reasonable care to ensure that the Company is managed in accordance with the Regulations and the Scheme documents in relation to the investment and borrowing powers applicable to the Company.

DEPOSITARY'S REPORT TO THE SHAREHOLDERS OF TB WISE INVESTMENT FUNDS

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depositary of the Company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Company, acting through ACD:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's income in accordance with the Regulations, the Scheme documents of the Company, and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

National Westminster Bank Plc
Trustee & Depositary Services
London
2 June 2017

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TB WISE INVESTMENT FUNDS

We have audited the financial statements of the TB Wise Investment Funds (“the company”) for the year ended 28 February 2017 which comprise for each sub-fund: the Statement of Total Return, the Statement of Change in Net Assets Attributable to Shareholders, the Balance Sheet, the distribution tables and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”, the Statement of Recommended Practice: “Financial Statements of Authorised Funds” issued by the Investment Management Association in May 2014, the Collective Investment Schemes Sourcebook and the Instrument of Incorporation.

This report is made solely to the company’s shareholders, as a body, in accordance with Paragraph 4.5.12R of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority. Our audit work has been undertaken so that we might state to the company’s shareholders those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company’s shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Depositary, the Authorised Corporate Director (ACD) and the Auditor

As explained more fully in the Statement of Depositary’s Responsibilities and the statement of the ACD’s Responsibilities, the Depositary is responsible for safeguarding the property of the Company and the ACD is responsible for the preparation of the financial statements. Our responsibility is to audit and express an opinion on the financial statements in accordance with the requirements of the Collective Investment Schemes Sourcebook, applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the ACD; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Company and each of the sub funds as at 28 February 2017 and of the net revenue and the net capital gains on the property of the company and each of the sub funds for the year ended 28 February 2017; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, the Statement of Recommended Practice “Financial Statements of Authorised Funds”, the rules in the Collective Investment Schemes Sourcebook and the Instrument of Incorporation.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TB WISE INVESTMENT FUNDS (CONTINUED)

Opinion on other matters prescribed by the Collective Investment Schemes Sourcebook

In our opinion:

- proper accounting records for the company and each of the sub funds have been kept and the financial statements are in agreement with those records;
- we have received all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit; and
- the information disclosed in the Annual Report for the year ended 28 February 2017 for the purpose of complying with Paragraph 4.5.9R of the Collective Investment Schemes Sourcebook is consistent with the financial statements.

Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
2 June 2017

TB WISE INVESTMENT, AUTHORISED STATUS

The Fund is a sub-fund of TB Wise Investment Funds with investment powers equivalent to those of a UCITS Scheme as defined in the Glossary to the Financial Conduct Authority ('FCA') Handbook.

INVESTMENT OBJECTIVE AND POLICY

The investment objective of TB Wise Investment is to provide capital growth over the medium-to-long term in excess of deposit account returns and inflation. The Fund will invest in collective investment schemes, including unit trusts and open-ended investment companies, although other investments may also be held including investment trusts, money market instruments and deposits. The Fund will, from time to time, invest directly in UK listed shares if the Investment Manager feels that value can be added by doing so. The Fund will invest in the following assets: UK and overseas equities, fixed-interest securities and cash, via collective investment schemes and investment trusts.

ONGOING CHARGES FIGURE

The Ongoing Charges Figure ('OCF') provides investors with a clearer picture of the total annual costs in running a Collective Investment Scheme. The OCF consists principally of the Annual Management Charge, but also includes the costs for other services paid in respect of Depositary, custody, FCA, audit fees and transaction charges. As the Fund invests in other funds, the weighted average costs of the underlying funds are also taken into account. The OCFs, as calculated in accordance with ESMA guidelines, are disclosed as 'Operating charges (p.a.)' in the Summary of Fund Performance tables on pages 18, 19 and 20.

Please note that the maximum level of management fees which may be charged to any collective investment scheme in which the Fund invests is 6%.

SYNTHETIC RISK AND REWARD INDICATOR

The Synthetic Risk and Reward Indicator demonstrates in a standard format where the Fund ranks in terms of its potential risk and reward. It is based on historical data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The indicator uses a scale of 1 to 7. The higher the rank the greater the potential reward but the greater the risk of losing money. The lowest category does not mean a fund is a risk free investment.

The Fund is in risk category 4 because it invests in a variety of asset classes, but with a bias towards shares.

RISK PROFILE

The value of investments may go down as well as up in response to general market conditions and the performance of the assets held. Investors may not get back the money which they invested. There is no guarantee that the Fund will meet its stated objectives. The Fund invests in global shares (via collective investment schemes and investment trusts), with some regions being regarded as more risky. The movements of exchange rates may lead to further changes in the value of investments and the income from them. There is a risk that any company providing services such as safe keeping of assets or acting as counterparty to derivatives may become insolvent, which may cause losses to the Fund.

CHANGES TO THE FUND

On 1 April 2016 the annual management charge for the B Accumulation shares changed from 'up to 1.00%' to a fixed charge of 0.79%. The annual management charge for the A Accumulation shares changed from 'up to 1.65%' to a fixed charge of 1.44%. At the same date, an administration fee (previously part of the annual management charge) was introduced. This is charged as follows: 0.21% p.a. on first £100m*; 0.11% p.a. on next £50m*; 0.06% p.a. on next £50m* and 0.01% on the balance, subject to a minimum of £80,000 per annum. This change was notified to investors in advance and did not change the OCF.

** measured for the Company as a whole (i.e. the value of all sub-funds are taken into account).*

TB WISE INVESTMENT, INVESTMENT REVIEW

Performance

	Cumulative returns for the periods ended 28 February 2017 (%)		
	1 year	3 years	5 years
TB Wise Investment – B Shares	37.68	31.13	72.85
TB Wise Investment – A Shares	36.82	28.78	67.55
IA Flexible Investment Sector	20.73	25.25	46.95
Bats UK All Companies	23.65	21.18	56.46

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.

Introduction

This report will discuss the fund's performance during the year ended 28th February 2017 and give a brief summary of the outlook for the coming year.

Explanation of the TB in TB Wise Investment

T Bailey, a Nottingham-based firm, has been our funds' administrator and Authorised Corporate Director (ACD) since 2007. The ACD is a regulated function which primarily involves ensuring that the fund does not breach any of the FCA's rules. An FCA rule states that where a company manages a fund with its own company name in the title, as in **Wise Investment**, if the fund uses an external firm as its ACD, then this fact must be designated by inserting the initials of the ACD in the title, as in TB Wise Investment. For brevity, the fund will be referred to as **Wise Investment** in the remainder of this report.

What Wise Investment does

Wise Investment aims to provide capital growth over the medium term, in excess of deposit account returns and inflation. The fund invests mainly in shares, but will also hold exposure to commercial property (via investment trusts) and fixed interest as appropriate. An unlimited proportion of the fund can be held in cash at times when other assets look unattractive. **Wise Investment** can invest anywhere in the world, with no geographical or sector restriction.

Wise Investment is a fund of funds. Most funds of funds invest in open-ended funds (unit trusts and OEICs). A much smaller number invest in closed-ended funds, commonly known as investment trusts. **Wise Investment** does both, choosing funds on the basis of the quality of the managers, and on the value of the assets.

Unit Trusts and Investment Trusts

The main difference between the two types of investment vehicles is in the way they are priced. A unit trust is valued by the company that administers it. The price of the unit is calculated each day and accurately reflects the market value of the assets the fund holds. Investment trust shares are traded in the stock market, and their prices are determined by supply and demand. So, a unit trust with assets worth £1.00 per share will always be priced at £1.00. An investment trust with assets worth £1.00 per share might trade at £1.20 if the assets are in great demand, or the fund manager is highly regarded. Conversely, the fund might trade at 80p if investors are worried about the asset class or the managers of the trust have performed less well than their peers.

When an investment trust's assets are worth £1.00 per share, and its shares are trading at £1.20, then it is said to be at a 20% premium. When its assets are worth £1.00, and its shares are trading at 80p, then it is said to be trading at a 20% discount.

Investment trust discounts change over time. We aim to buy good investment trusts when they are trading at wide discounts, which look unjustified to us. Over time, discounts on good trusts tend to narrow, and sometimes investment trusts go from discounts to premiums. For example, we can sometimes buy a fund with net assets of £ 1.00 for 80p. A few years later, the assets may have risen to £ 1.40 in value, but meanwhile, if the trust has become fashionable, it may trade at a premium price of £ 1.60. In a unit trust, where the price reflects the value of the assets, investors would make a return of 40%, as a result of the asset value increasing from £ 1.00 to £ 1.40, but in an investment trust, due to the combination of the asset price rising and the discount turning into a premium, investors would make a 100% return.

For this reason, we prefer closed-ended funds to open-ended ones, when they are of high quality and we can buy them at substantial discounts. However, we need to be patient, because wide discounts can widen further, and sometimes we have to wait a long time before the eventual re-rating takes place.

At the end of the year, **Wise Investment** was invested roughly 77% in closed-ended funds, and 22% in open-ended funds. The proportion of the fund held in closed-ended funds has grown from around 67% a year ago.

Investment Process

Wise Investment seeks to invest in a combination of quality and value. In particular, we are looking for:

- Markets and sectors where we can see value and/or significant growth potential.
- Outstanding fund managers or teams, particularly when their styles are out of favour with investors.

Share Classes

Wise Investment has three share classes. The A shares are a legacy share class, with higher charges. At the year-end, less than 0.4% of the fund was in the A shares. The W share class is a new one, which we have just introduced, and will be covered in future reports. Figures quoted in this report will refer to the B shares, which the majority of investors hold.

Performance

A year ago the values of the assets we own in **Wise Investment** were depressed, following a period of heightened anxiety about the future direction of the global economy, and the effect of rising interest rates in the US. In last year's report we commented 'Looking at the current valuations of the funds we own against their historic norms, we believe that their recovery could have a long way further to go'.

And so it has turned out. During the year, **Wise Investment** made a total return of 37.7%. Our performance benchmark indices, the IA Flexible Investment sector average, and the Bats UK All-companies index, rose by 20.7% and 23.7% respectively. The IA Flexible Investment sector average is the average performance of the 150-odd funds in the IA Flexible Investment sector, in which **Wise Investment** resides. The IA is the Investment Association. The Bats index tracks the performance of the largest 500 companies listed on the UK stock market.

Fund performance over three years at 31.1% is lower than over one year, reflecting the two difficult years that preceded this one. However, **Wise Investment** is ahead of its benchmarks over this period, with the IA Flexible Investment sector average up 25.3% and the Bats index up 21.2%. Over five years, **Wise Investment** has made a return of 72.9%, with its benchmarks making returns of 47.0% and 56.5% respectively.

Performance over the last five years has been rather lumpy, with excellent returns in 2012, 2013, and 2016, and disappointing ones in 2014 and 2015, but with an acceptable overall result.

However, it is the market that changes, rather than our management style, which is to identify excellent assets, buy them when they are cheap, and hold them until it no longer makes sense to do so.

Volatility

Volatility is the tendency of prices to fluctuate. A fund with a high volatility score is one where the price tends to jump around, which is normally considered to be an unattractive characteristic. A good fund should be able to make excess returns with a low level of volatility.

Wise Investment has achieved this. The fund's FE risk rating, a volatility score, is currently 55, where that of the UK stock market is 100.

Investment Trust Discounts

The relationship between the share price of an investment trust and its asset value per share can be compared to a brick, which is being pulled across bumpy ground behind a land rover, on the end of a piece of elastic. The asset value is the land rover, and the share price is the brick. The movement of the land rover tends to be relatively smooth, while that of the brick is jerky. Sometimes the brick gets caught on something and stops moving forward, so the elastic pulls tight. Eventually, the tension in the elastic becomes so great that the brick shoots forward, as it has done in the last year.

However, the large gain made in the past year has come far more from a recovery in the prices of the underlying assets, which were unusually cheap a year ago, than from a narrowing of the investment trust discounts. In other words, the brick is still quite a long way behind the vehicle, though not quite as far behind as it was last year.

There has been much comment in the financial press over the last few months about how little value there is in the investment trust universe, with discounts narrower than they have been for many years, and with many of the larger trusts trading at premiums.

In order to understand what is happening it helps to divide the investment trust universe into two - trusts that pay a high level of income, and ones that don't. Investors' appetite for income remains as strong as ever, and many income-paying trusts, particularly in the areas of infrastructure and renewable energy, trade on large premiums, and have grown much larger in the past year through issuing new shares. New high-income trusts are launched every few weeks. **Wise Investment** doesn't invest in any of these assets, because we can't see any value in them. We suspect that as and when interest rates rise, these trusts will lose some of their appeal, and there is the potential for painful losses to be made. None of the investment trusts **Wise Investment** holds pays a significant amount of income, and most pay none. All of them are at discounts, trading below the value of their assets, and in most cases, well below. In last year's report, we mentioned that if all the investment trusts in the **Wise Investment** portfolio were priced at the market value of their assets, as they would be if they were open-ended funds, then the fund price would be 17.9% higher than it actually was. This year's figure, 14.0%, is a little lower than last year's, but not by much. If all the assets in **Wise Investment's** investment trusts were included at their market values, then the fund's price on February 28th 2017 would have been 14% higher than it was, at £3.295, rather than the quoted £2.8901.

From the above, we are confident that, despite last year's strong gains, there is still plenty of unrealised value in the fund.

Fund Size

As at February 28th, TB Wise Investment was £ 48.51m in size, around 33% higher than a year earlier. The growth of the fund was a little lower than its performance, indicating that encashments from the fund exceeded new investments by a small margin.

Ongoing Charging Figure (OCF)

The most recent calculation of the OCF was as at February 28th 2017. **Wise Investment's** current OCF is 1.15%. This figure is roughly 10% lower than the previous year, and reflects the larger size of the fund, and the higher proportion in closed-ended funds, which usually have lower charges than open-ended ones.

Portfolio Review

We have made very few structural changes to the portfolio during the year. However, it is possible that the year ahead may be a more active one for the fund.

We have held around 25% of the portfolio in private equity for several years, currently in six different funds. These funds have offered us a combination of high growth and attractive valuations. However, the sector is beginning to look a bit expensive. For the moment, the performance of the shares held in the trusts we own continues to be strong, and we are making good returns on our investment. However, the cycle is maturing, and we are considering reducing exposure. One of the trusts we hold, Better Capital 2009, is in the late stages of selling its largest holding, Gardner Aerospace, and will return cash to us in the next few weeks equivalent to around 2.5% of the fund value. This cash will be redeployed in other areas.

Over the year, we have increased our weighting in UK smaller companies, and have been well rewarded for doing so. The sector was very cheap following the referendum, and has recovered strongly since. Now is an ideal time for overseas companies to take over UK ones, because the pound's weakness makes the target companies cheaper, and because money is very cheap and easy to borrow. We expect takeover activity to keep the sector buoyant for the rest of 2017 at least.

We continue to be concerned about the elevated levels of share prices in the US, particularly in growth sectors such as technology, and continue to avoid them. We aren't big fans of 'disruptive technology' companies. They tend to be very expensive, and the risk profile of a company which either succeeds spectacularly, or fails dismally, or does first one, then the other, does not appeal to us as patient, long-term investors.

We see opportunities in Japanese smaller companies. We have preferred Japanese smaller companies to the giant exporting companies for several years, and returns at the smaller end have been good. Many Japanese smaller companies are very cheap. Some can be bought for less than the amount of cash they have in the bank. Companies have started to be managed in a more open and shareholder-friendly way under the impetus of Prime Minister Abe's reform agenda. Reform is the 'third arrow', the other two being tax incentives and printing money. There is also a demographic factor. The average age of company bosses in Japan has steadily risen to its current level of 59, and many companies have no succession plan, as many of the owner/managers are childless. The result is an increased level of acquisitions, which tends to unlock value.

Wise Investment has exposure to gold, through a holding in Blackrock Gold and General trust, which owns shares in gold-mining companies. The Blackrock fund made a return of around 50% in the first half of 2016, at which point we cut the holding in half, to around 2%. The price of gold has retreated by around a third since its high point in 2011, and looks much better value today. Gold is a classic inflation hedge, with a low correlation to the stock market, and if you believe, as we do, that inflation is more likely to rise than to fall, then it can be a useful addition to a portfolio. Gold is an asset class we expect to add to as opportunities arise.

2017 has started well for **Wise Investment**, and could turn out to be another vintage year like 2016, particularly if we see an elevated level of takeovers in smaller companies. However, it seems to us that we are nearer to the end than the beginning of the current market cycle, and our medium-term goal is gradually to take a more 'defensive' position, which looks more at not losing our investors' money, than actively seeking gains. We have begun work on a project to look at how best to achieve this objective.

TB WISE INVESTMENT, INVESTMENT REVIEW (CONTINUED)

Sector	Asset allocation as at 28 February 2017 (%)	Asset allocation as at 29 February 2016 (%)
Asia	5.6	4.8
Europe	1.2	1.0
International	20.4	21.9
Japan	5.3	5.4
Mining and Resources	5.9	6.1
Private Equity	24.6	23.0
Property	3.5	-
Specialist – Alternative Energy	4.2	4.6
Specialist – Technology	4.8	4.6
Specialist – Utilities	0.4	2.9
UK Growth	7.0	10.9
UK Mid-Caps	2.8	1.6
UK Smaller Companies	11.0	8.3
USA	1.9	1.9
Cash and Other	1.4	3.0
Total	100.0	100.0

The full list of holdings at the balance sheet date is shown in the Portfolio Statement on pages 15 to 17.

Outlook

We continue to maintain a positive view on the markets. **Wise Investment** holds an array of excellent funds, which we have got to know well, managed by highly talented and experienced teams. Market fluctuations have continued to offer us investment opportunities, of which good examples in the last year have been around Brexit, and the election of Donald Trump. We see overvalued assets in the markets, which we avoid, and we continue to see attractive valuations, in which we invest. Our aim is to make returns which are attractive enough to reward investors adequately for the risks involved in investing their capital in assets whose prices can fluctuate. However, we continue to evaluate all our holdings. Of each one, we regularly say 'Would we invest in it now?' If the answer is 'No', then we are happy to move on. If a time comes when there is nothing attractive to move on to, then the portfolio will be configured in a more defensive way. However, this defensive period will be temporary, as all market phases are. If such a situation arises, we will be patient, and it probably won't be long before new and perhaps even more attractive opportunities will emerge.

Tony Yarrow
Fund Manager
Wise Investments Limited
2 June 2017

TB WISE INVESTMENT, PORTFOLIO STATEMENT

As at 28 February 2017

Holding or nominal value of positions	Bid market value £	Percentage of total net assets %
Asia		
(5.6%; 29.02.16 - 4.8%)		
155,000 Aberdeen Asian Smaller Companies	1,553,100	3.2
180,000 Fidelity Asian Values	652,050	1.4
44,000 Fidelity Asian Values Subscription Shares	10,560	0.0
597,722 Schroder Asian Alpha Plus	501,907	1.0
	2,717,617	5.6
Europe		
(1.2%; 29.02.16 - 1.0%)		
58,750 Henderson Eurotrust	584,563	1.2
	584,563	1.2
International		
(20.4%; 29.02.16 - 21.9%)		
508,651 British Empire Trust	3,402,875	7.0
167,766 Caledonia Investments	4,715,902	9.7
119,753 Hansa Trust	1,053,826	2.2
87,569 Hansa Trust 'A'	753,093	1.5
	9,925,696	20.4
Japan		
(5.3%; 29.02.16 - 5.4%)		
787,680 Atlantis Japan Growth	1,260,288	2.6
21,000 Baillie Gifford Japan Trust	129,360	0.2
86,811 Baillie Gifford Japanese	1,211,016	2.5
	2,600,664	5.3
Mining and Resources		
(5.9%; 29.02.16 - 6.1%)		
1,143,500 Baker Steel Resources	437,389	0.9
109,955 BlackRock Gold and General	1,189,713	2.5
335,000 BlackRock World Mining	1,221,913	2.5
	2,849,015	5.9

TB WISE INVESTMENT, PORTFOLIO STATEMENT (CONTINUED)

As at 28 February 2017

Holding or nominal value of positions	Bid market value £	Percentage of total net assets %	
Private Equity (24.6%; 29.02.16 - 23.0%)			
1,400,000	Better Capital Ltd (2009)	1,428,000	2.9
1,410,725	Better Capital Ltd (2012)	416,164	0.9
262,507	HG Capital Trust	4,129,235	8.5
464,000	ICG Enterprise Trust	3,206,240	6.6
75,000	Pantheon International	1,278,000	2.6
184,774	Princess Private Equity	1,476,771	3.1
		11,934,410	24.6
Property (3.5%; 29.02.16 - 0.0%)			
560,000	TR Property Investment Trust	1,703,520	3.5
		1,703,520	3.5
Specialist - Alternative Energy (4.2%; 29.02.16 - 4.6%)			
900,000	Impax Environmental Markets	2,018,250	4.2
		2,018,250	4.2
Specialist - Technology (4.8%; 29.02.16 - 4.6%)			
251,557	Herald Investment	2,334,449	4.8
		2,334,449	4.8
Specialist - Utilities (0.4%; 29.02.16 - 2.9%)			
446,734	Ecofin Realisation Company	185,395	0.4
		185,395	0.4
UK Growth (7.0%; 29.02.16 - 10.9%)			
91,305	JO Hambro UK Opportunities	249,719	0.5
197,353	Liontrust Special Situations 'Inc'	721,739	1.5
1,046,919	Man GLG Undervalued Assets	1,390,309	2.9
99,701	Polar Capital UK Value Opportunities	1,016,949	2.1
		3,378,716	7.0

TB WISE INVESTMENT, PORTFOLIO STATEMENT (CONTINUED)

As at 28 February 2017

Holding or nominal value of positions	Bid market value £	Percentage of total net assets %
UK Mid-Caps (2.8%; 29.02.16 - 1.6%)		
290,000 Schroder UK Mid Cap	1,348,500	2.8
	1,348,500	2.8
UK Smaller Companies (11.0%; 29.02.16 - 8.3%)		
77,500 Aberforth Smaller Companies	919,150	1.9
451,593 MI Downing UK Micro-Cap Growth	946,583	2.0
500,000 Strategic Equity Capital	987,500	2.0
228,306 TB Amati UK Smaller Companies	1,956,354	4.0
6,981 The MI Discretionary	553,297	1.1
	5,362,884	11.0
USA (1.9%; 29.02.16 - 1.9%)		
4,044 Heptagon Yacktman US Equity	550,781	1.1
22,013 Polar Capital North American 'Inc'	361,678	0.8
	912,459	1.9
Portfolio of investments	47,856,138	98.6
Net other assets	657,649	1.4
Total net assets	48,513,787	100.0

Asset Class	Asset class allocation as at 28 February 2017 (%)	Asset class allocation as at 29 February 2016 (%)
Investment Trusts	76.6	67.1
Collective Investment Schemes	22.0	29.9
Cash and Other	1.4	3.0
Total	100.0	100.0

'Inc' denotes income units of, or shares in, collective investment schemes, all other holdings in collective investment schemes are accumulation units/shares. All holdings in collective investment schemes are traded on regulated markets.

All other holdings are in investment trusts and are listed on recognised stock exchanges.

TB WISE INVESTMENT, SUMMARY OF FUND PERFORMANCE

B Accumulation Shares	1 Mar 2016 to 28 Feb 2017	1 Mar 2015 to 29 Feb 2016	1 Mar 2014 to 28 Feb 2015
	(pence per share)	(pence per share)	(pence per share)
Change in net assets per share			
Opening net asset value per share	209.57	227.11	221.10
Return before operating charges*	80.29	(15.36)	8.29
Operating charges	(2.33)	(2.18)	(2.28)
Return after operating charges*	77.96	(17.54)	6.01
Closing net asset value per share	287.53	209.57	227.11
Retained distributions on accumulation shares	2.35	1.84	1.04
* after direct transaction costs of:	0.27	0.23	0.40
Performance			
Return after charges	37.20%	(7.72)%	2.72%
Other information			
Closing net asset value	£48,309,175	£36,260,816	£37,708,642
Closing number of shares	16,801,299	17,302,358	16,603,657
Operating charges (p.a.)	1.15%	1.28%	1.27%
Direct transaction costs (p.a.)	0.11%	0.10%	0.18%
Prices			
Highest published share price	290.11	235.19	230.60
Lowest published share price	210.77	202.80	214.64

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.

TB WISE INVESTMENT, SUMMARY OF FUND PERFORMANCE (CONTINUED)

A Accumulation Shares	1 Mar 2016 to 28 Feb 2017	1 Mar 2015 to 29 Feb 2016	1 Mar 2014 to 28 Feb 2015
	(pence per share)	(pence per share)	(pence per share)
Change in net assets per share			
Opening net asset value per share	194.02	211.45	207.08
Return before operating charges*	74.03	(14.24)	7.75
Operating charges	(3.56)	(3.19)	(3.38)
Return after operating charges*	70.47	(17.43)	4.37
Closing net asset value per share	264.49	194.02	211.45
Retained distributions on accumulation shares	0.70	0.81	0.13
* after direct transaction costs of:	0.25	0.22	0.37
Performance			
Return after charges	36.32%	(8.24)%	2.11%
Other information			
Closing net asset value	£188,785	£254,957	£1,739,305
Closing number of shares	71,378	131,408	822,551
Operating charges (p.a.)	1.80%	1.93%	1.92%
Direct transaction costs (p.a.)	0.11%	0.10%	0.18%
Prices			
Highest published share price	266.89	218.64	215.25
Lowest published share price	195.13	187.78	200.26

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.

TB WISE INVESTMENT, SUMMARY OF FUND PERFORMANCE (CONTINUED)

W Accumulation Shares	9 Dec 2016¹ 28 Feb 2017 (pence per share)
Change in net assets per share	
Opening net asset value per share	266.45
Return before operating charges*	21.76
Operating charges	(0.45)
Return after operating charges*	21.31
Closing net asset value per share	287.76
Retained distributions on accumulation shares	0.06
* after direct transaction costs of:	0.07
Performance	
Return after charges	8.00%
Other information	
Closing net asset value	£15,827
Closing number of shares	5,500
Operating charges (p.a.)	0.90%
Direct transaction costs (p.a.)	0.11%
Prices	
Highest published share price	290.31
Lowest published share price	266.45

¹ W Shares launched on 9 December 2016.

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.

TB WISE INVESTMENT, STATEMENT OF TOTAL RETURNFor the year ended 28 February 2017

	Notes	£	28.02.17 £	29.02.16 £
Income				
Net capital gains/(losses)	2		12,746,584	(3,437,698)
Revenue	3	793,683		708,153
Expenses	4	(393,405)		(387,130)
Interest payable and similar charges	6	(7)		(45)
Net revenue before taxation		400,271		320,978
Taxation	5	(26)		(44)
Net revenue after taxation			400,245	320,934
Total return/(loss) before distributions			13,146,829	(3,116,764)
Distributions	6		(399,375)	(321,889)
Change in net assets attributable to shareholders from investment activities			12,747,454	(3,438,653)

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERSFor the year ended 28 February 2017

	Notes	£	28.02.17 £	29.02.16 £
Opening net assets attributable to shareholders			36,515,773	39,447,947
<i>Movements due to sales and repurchases of shares:</i>				
Amounts receivable on issue of shares		5,578,201		4,544,407
Amounts payable on cancellation of shares		(6,718,197)		(4,364,478)
			(1,139,996)	179,929
Change in net assets attributable to shareholders from investment activities			12,747,454	(3,438,653)
Retained distributions on accumulation shares	6		390,556	326,550
Closing net assets attributable to shareholders			48,513,787	36,515,773

TB WISE INVESTMENT, BALANCE SHEETAs at 28 February 2017

	Notes	28.02.17 £	29.02.16 £
Assets:			
Fixed assets:			
Investments		47,856,138	35,409,280
Current assets:			
Debtors	7	307,675	21,440
Cash and bank balances	8	670,828	1,125,134
Total assets		48,834,641	36,555,854
Liabilities:			
Creditors:			
Other creditors	9	320,854	40,081
Total liabilities		320,854	40,081
Net assets attributable to shareholders		48,513,787	36,515,773

1. Accounting policies**(a) Basis of accounting**

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with Financial Reporting Standard 102 (FRS 102) and in accordance with the Statement of Recommended Practice (SORP) for Financial Statements of Authorised Funds issued by the Investment Association in May 2014.

As described in the Statement of the Authorised Corporate Director's Responsibilities, the ACD continues to adopt the going concern basis in the preparation of the financial statements of the Fund.

(b) Functional currency

The functional currency used in the financial statements is Pound Sterling.

(c) Recognition of revenue

Dividends and distributions on holdings, net of any irrecoverable tax credits, are recognised when the underlying transferable security or collective investment scheme is quoted ex-dividend or ex-distribution. Bank interest and management fee rebates are accounted for on an accruals basis.

(d) Treatment of stock dividends

Stock dividends are credited to the capital account when the stock is quoted ex-dividend. The cash equivalent is then transferred to the revenue account and forms part of the distributable revenue.

The allocation of special dividends is considered on a case-by-case basis.

(e) Equalisation on distributions

Equalisation on revenue distributions received from underlying holdings in collective investment schemes is treated as a return of capital.

(f) Treatment of expenses

All expenses, except those relating to the purchase and sale of investments, are charged to the revenue account.

(g) Allocation of revenue and expense to multiple share classes

Any assets or liabilities not attributable to a particular share class will be allocated by the ACD in a manner which is considered fair to shareholders in general, usually pro-rata based on the net asset values of the relevant share classes.

(h) Taxation/deferred taxation

Corporation tax is provided for on taxable revenue, less deductible expenses, at a rate of 20%.

Deferred tax is provided for in respect of all items that have been included in these financial statements, or those of a previous period, that will be included in future periods for taxation purposes, other than those timing differences regarded as permanent. Any liability to deferred tax is provided for at the rate of tax expected to apply.

TB WISE INVESTMENT, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 28 February 2017

1. Accounting policies (continued)**(i) Distribution policy**

Net revenue produced by the Fund's investments is accrued six-monthly. At the end of each period the revenue, less the expenses allocated to the revenue account, is accumulated at the discretion of the Investment Manager, as per the prospectus.

(j) Exchange rates

Assets and liabilities in overseas currencies at the year-end are translated into Sterling at the latest available rates of exchange on the balance sheet date.

(k) Basis of valuation of investments

The investments are valued at closing prices on the balance sheet date. If closing prices are not available, the latest available prices are used.

If separate offer and bid prices are quoted for shares or units, then the bid price is used.

If no price or recent available price exists, the investment is valued at a price which, in the opinion of the ACD, reflects the fair value of the asset.

(l) Management fee rebates

Management fee rebates are accounted for on an accruals basis and are allocated to the capital or revenue account of the Fund, according to whether the underlying fund charges its fees to capital or revenue.

2. Net capital gains/(losses)

	28.02.17	29.02.16
	£	£
Non-derivative securities	12,581,898	(3,474,189)
Currency gains	165,466	37,441
Transaction charges	(780)	(950)
Net capital gains/(losses)	<u>12,746,584</u>	<u>(3,437,698)</u>

3. Revenue

	28.02.17	29.02.16
	£	£
UK franked distributions	93,647	120,444
UK unfranked distributions	131	220
UK franked dividends	461,850	482,421
UK unfranked dividends	156,723	105,043
Overseas dividends	81,417	-
Bank interest	43	25
Unfranked income currency losses	(128)	-
Total revenue	<u>793,683</u>	<u>708,153</u>

TB WISE INVESTMENT, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)As at 28 February 2017

4. Expenses

	28.02.17	29.02.16
	£	£
Payable to the ACD, associates of the ACD and agents of either:		
Annual management charge	335,611	345,469
Registration fees	2,883	2,901
Administration fees	24,407	9,796
	<u>362,901</u>	<u>358,166</u>
Payable to the Depositary, associates of the Depositary and agents of either:		
Depositary's fees	20,027	18,947
Safe custody fees	1,034	939
	<u>21,061</u>	<u>19,886</u>
Other expenses:		
Audit fee	6,480	6,480
Tax fee	2,280	2,280
FCA fee	245	318
Other expenses	438	-
	<u>9,443</u>	<u>9,078</u>
Total expenses	<u>393,405</u>	<u>387,130</u>
	28.02.17	29.02.16
	£	£
Fees payable to the company auditor for the audit of the companies annual accounts:		
Total audit fee	<u>6,480</u>	<u>6,480</u>
Total non audit fees - Tax compliance services	<u>2,280</u>	<u>2,280</u>

TB WISE INVESTMENT, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 28 February 2017

5. Taxation**(a) Analysis of the charge in the year**

	28.02.17	29.02.16
	£	£
Analysis of charge in the year		
Irrecoverable income tax	<u>26</u>	<u>44</u>
Total current tax for the year (see note 5(b))	<u>26</u>	<u>44</u>
Deferred tax (see note 5(c))	<u>-</u>	<u>-</u>
Total taxation for the year	<u>26</u>	<u>44</u>

(b) Factors affecting the current taxation charge for the year

The taxation assessed for the year is lower than the standard rate of corporation tax in the UK for an authorised Open-Ended Investment Company (20%). The differences are explained below:

	28.02.17	29.02.16
	£	£
Net revenue before taxation	<u>400,271</u>	<u>320,978</u>
Corporation tax at 20%	80,054	64,196
Effects of:		
Revenue not subject to taxation	(127,383)	(120,573)
Excess expenses for which no relief taken	47,329	56,377
Irrecoverable income tax	<u>26</u>	<u>44</u>
Current tax charge for the year (see note 5(a))	<u>26</u>	<u>44</u>

(c) Provision for deferred tax

At the 28 February 2017 the Fund had surplus management expenses of £3,457,914 (29 February 2016: £3,221,269). The deferred tax asset in respect of this would be £691,583 (29 February 2016: £644,253). It is unlikely that the fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised at the year-end or at the previous year end (see note 5(a)).

TB WISE INVESTMENT, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 28 February 2017

6. Distributions

The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	28.02.17	29.02.16
	£	£
Interim - Accumulation (31 Aug)	248,099	273,797
Final - Accumulation (28/29 Feb)	<u>142,457</u>	<u>52,753</u>
	390,556	326,550
Add: Revenue deducted on cancellation of shares	24,819	6,119
Deduct: Revenue received on issue of shares	<u>(16,000)</u>	<u>(10,780)</u>
Net distribution for the year	<u>399,375</u>	<u>321,889</u>
Interest	7	45
Total finance costs	<u>399,382</u>	<u>321,934</u>
Reconciliation to net distribution for the year		
Net revenue after taxation for the year	400,245	320,934
Income currency gains/(losses)	(882)	-
Losses transferred to capital	<u>12</u>	<u>955</u>
Net distribution for the year	<u>399,375</u>	<u>321,889</u>

Details of the distributions per share are set out on page 35.

TB WISE INVESTMENT, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 28 February 2017

7. Debtors

	28.02.17	29.02.16
	£	£
Amounts receivable for issue of shares	259,644	401
Accrued revenue	16,663	-
Prepayments	23	30
Income tax recoverable	31,345	21,009
Total debtors	<u>307,675</u>	<u>21,440</u>

8. Cash and bank balances

	28.02.17	29.02.16
	£	£
Cash and bank balances	670,828	1,125,134
Total cash and bank balances	<u>670,828</u>	<u>1,125,134</u>

9. Other creditors

	28.02.17	29.02.16
	£	£
Amounts payable for cancellation of shares	277,327	673
Accrued annual management charge	30,446	27,740
Accrued registration fees	249	266
Accrued administration fees	2,029	894
Accrued depositary fees	1,844	1,514
Accrued custody fees	199	234
Accrued audit fees	6,480	6,480
Accrued tax fees	2,280	2,280
Total creditors	<u>320,854</u>	<u>40,081</u>

TB WISE INVESTMENT, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 28 February 2017

10. Related party transactions

The ACD is regarded as a related party of the Fund. The ACD acts as either agent or principal for the Depositary in respect of all transactions in the Fund's shares. The aggregate monies received through issue and paid on cancellation are disclosed in the statement of change in net assets attributable to shareholders.

As at the balance sheet date, there were no shares held by the ACD, the Depositary or associates of either the ACD or the Depositary. As at the balance sheet date there was one shareholder that held 44.6% of the Fund's total net asset value.

As at 28 February 2017 the Fund held 228,306 shares in TB Amati UK Smaller Companies of which T. Bailey Fund Services Limited is also the Authorised Corporate Director.

Details of transactions occurring during the accounting period with the ACD and the Depositary, and any balances due at the year end, are fully disclosed in notes 4 and 9 of the financial statements.

11. Share classes

As at the balance sheet date the Fund had three share classes. The following table shows a breakdown of the change in shares in issue of each share class in the period:

	B Accumulation
Opening shares at the start of the period	17,302,357.706
Total creation of shares in the period	2,131,787.985
Total cancellation of shares in the period	<u>(2,632,847.069)</u>
Closing shares at the end of the period	<u>16,801,298.622</u>
	A Accumulation
Opening shares at the start of the period	131,408.479
Total creation of shares in the period	74,674.933
Total cancellation of shares in the period	<u>(134,705.797)</u>
Closing shares at the end of the period	<u>71,377.615</u>
	W Accumulation*
Opening shares at the start of the period	-
Total creation of shares in the period	5,500.113
Total cancellation of shares in the period	<u>-</u>
Closing shares at the end of the period	<u>5,500.113</u>

*W accumulation shares launched 9 December 2016.

TB WISE INVESTMENT, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 28 February 2017

11. Share Classes (continued)

As at the balance sheet date the annual management charge of each share class was as follows:

TB Wise Investment – A Accumulation shares	1.44% p.a.
TB Wise Investment – B Accumulation shares	0.79% p.a.
TB Wise Investment – W Accumulation shares	0.54% p.a.

Please note that as mentioned on page 9 the annual management charge was changed to a fixed rate of 0.79% for the B Accumulation shares and a fixed rate of 1.44% for the A Accumulation shares on 1 April 2016. W Shares were launched on 9 December 2016.

The net asset value of each share class, the net asset value per share, and the number of shares in each share class are given in the Summary of Fund Performance tables on pages 18, 19, and 20. The distributions per share are given in the distribution tables on page 35. Income, and the associated tax, which is not attributable to a particular share class is allocated by the ACD in a manner which is considered fair to shareholders in general, usually pro-rata based on the net asset values of the share classes. All share classes have the same rights on winding up.

12. Risk management policies

In pursuing the investment objectives financial instruments are held which may expose the Fund to various types of risk. The main risks inherent in the investment portfolio, and the ACD's policies for managing these risks, which were applied consistently throughout the year, are set out below:

(a) Currency exposures

The Fund's financial assets are mainly invested in investment trusts and other collective investment schemes whose prices are generally quoted in Sterling. The Fund may also invest in trusts and other schemes whose prices are quoted in other currencies. This gives rise to a direct currency exposure, details of which are shown in the following table.

	Net foreign currency assets at 28 February 2017			Net foreign currency assets at 29 February 2016		
	Monetary exposures	Non- monetary exposures	Total	Monetary exposures	Non- monetary exposures	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Euro	-	1,477	1,477	-	-	-
US Dollar	-	551	551	-	416	416

There are no specific policies employed to manage the currency exposure but the exposure will tend to be a relatively small percentage of the total net asset value of the Fund (28 Feb 2017: 4.2%, 29 Feb 2016: 1.1%)

In addition, the Fund's investments have an indirect exposure to exchange rate movements on the underlying investments of the investment trusts and collective investment schemes that are held in foreign currencies. Movements in exchange rates will impact on the prices of such underlying investments and as a result may affect the value of the Fund.

If GBP to foreign currency exchange rates had strengthened by 10% as at the balance sheet date, the net asset value of the fund would have decreased by £184,323 (29 February 2016: £37,856). If GBP to foreign currency exchange rates had weakened by 10% as at the balance sheet date, the net asset value of the fund would have increased by £225,284 (29 February 2016: £46,269). These calculations assume all other variables remain constant.

TB WISE INVESTMENT, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 28 February 2017

12. Risk management policies (continued)**(b) Cash flow risk and interest rate risk profile of financial assets and liabilities**

The Fund's revenue is mainly received from holdings in investment trusts and other collective investment schemes. The revenue cash flow from these and from their underlying investments may fluctuate depending upon decisions made by the companies in which they invest. The Fund does not have any long term financial liabilities.

The Fund is affected by the impact of movements in interest rates on its own cash balances and on certain underlying investments held by the investment trusts and collective investment schemes in which it invests. The direct exposure to interest rate risk as at the balance sheet date is shown in the following table:

	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Floating rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
28.02.17						
Euro	-	-	1,477	-	-	1,477
Sterling	671	-	46,136	-	(321)	46,486
US Dollar	-	-	551	-	-	551
29.02.16						
Sterling	1,125	-	35,015	-	(40)	36,100
US Dollar	-	-	416	-	-	416

Short term debtors and creditors are included as non-interest bearing financial assets and liabilities in the above table.

The floating rate financial assets and liabilities comprise: Sterling denominated bank account balances that bear interest at the Bank of England base rate less 75 basis points (to a minimum of NIL) and overdrafts that bear interest at the Bank of England base rate plus 100 basis points. Non-interest bearing financial assets and liabilities mainly comprise investments that do not have a maturity date.

Cash flow risk and interest rate risk is managed by only holding cash at reputable financial institutions.

Changes in interest rates would have no material impact to the valuation of floating rate financial assets or liabilities as at the balance sheet date. Consequently, no sensitivity analysis has been presented.

(c) Liquidity risk

All of the Fund's underlying financial assets are considered to be readily realisable. Where investments cannot be realised in time to meet any potential liability, the Fund may borrow up to 10% of its net asset value to ensure settlement. All of the Fund's financial liabilities are payable on demand or in less than one year.

TB WISE INVESTMENT, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 28 February 2017

12. Risk management policies (continued)**(d) Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. This includes counterparty and issuer risk. Cash is held with reputable credit institutions and credit risk is assessed on a regular basis.

Certain transactions in securities that the Fund enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Fund has fulfilled its obligations. The Fund only buys and sells investments through brokers which have been approved by the ACD as an acceptable counterparty and these are reviewed on an ongoing basis.

(e) Market price risk

The value of shares/units in the underlying investments is not fixed and may go down as well as up. This may be the result of a specific factor affecting the value of an individual share/unit held within an underlying investment or be caused by general market factors (such as government policy or the health of the underlying economy) which can affect the entire portfolio.

The Investment Manager seeks to minimise these risks by holding diversified portfolios of collective investment schemes and transferable securities in line with the investment objectives. In addition, the management of the Fund complies with the Financial Conduct Authority's Collective Investment Schemes sourcebook, which includes rules prohibiting a holding greater than 20% of the assets of the Fund in any one underlying investment.

If the value of shares/units in the underlying investments were to increase or decrease by 10% the change in the net asset value of the Fund would be £4,785,614 (29 February 2016: £3,540,928). This calculation assumes all other variables remain constant.

(f) Fair value of financial assets and liabilities

Valuation technique	INVESTMENT ASSETS	
	28 February 2017	29 February 2016
	£	£
Quoted prices for identical instruments in active markets	37,206,093	24,493,732
Prices of recent transactions for identical instruments	10,650,045	10,915,548
Valuation techniques using observable market data	-	-
Valuation techniques using non-observable data	-	-
	<u>47,856,138</u>	<u>35,409,280</u>

As at the year-end there were no investment liabilities (29 February 2016: £nil). There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

(g) Commitments on derivatives

No derivatives were held at the balance sheet date (29 February 2016: £nil).

TB WISE INVESTMENT, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 28 February 2017

13. Transaction costs**(a) Direct transaction costs**

Direct transaction costs include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties incurred when purchasing and selling the underlying securities. A breakdown of the purchases and sales, and the related direct transaction costs incurred by the Fund in the period are shown in the table below:

	28.02.17		29.02.16	
	£		£	
Analysis of total purchase costs				
PURCHASES				
Collective Investment Schemes	3,010,818		5,651,150	
Exchange Traded Funds	-		1,850,890	
Investment Trusts	<u>9,406,099</u>		<u>4,955,557</u>	
Net purchases before direct transaction costs	12,416,917		12,457,597	
		% of total	% of total	
		purchases	purchases	
DIRECT TRANSACTION COSTS				
Exchange Traded Funds	-	0.00%	1,851	0.01%
Investment Trusts	<u>41,635</u>	<u>0.33%</u>	<u>31,221</u>	<u>0.25%</u>
Total direct transaction costs	<u>41,635</u>	<u>0.33%</u>	<u>33,072</u>	<u>0.26%</u>
Gross purchases total	<u>12,458,552</u>		<u>12,490,669</u>	
Analysis of total sale costs				
SALES				
Collective Investment Schemes	5,830,810		5,446,638	
Exchange Traded Funds	-		1,828,750	
Investment Trusts	<u>6,820,194</u>		<u>4,803,414</u>	
Gross sales before direct transaction costs	12,651,004		12,078,802	
		% of total	% of total	
		sales	sales	
DIRECT TRANSACTION COSTS				
Exchange Traded Funds	-	0.00%	(2,195)	0.02%
Investment Trusts	<u>(4,639)</u>	<u>0.04%</u>	<u>(6,053)</u>	<u>0.05%</u>
Total direct transaction costs	<u>(4,639)</u>	<u>0.04%</u>	<u>(8,248)</u>	<u>0.07%</u>
Net sales total	<u>12,646,365</u>		<u>12,070,554</u>	

TB WISE INVESTMENT, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 28 February 2017

13. Transaction costs (continued)**(a) Direct transaction costs (continued)**

	28.02.17	% of	29.02.16	% of
	£	ave NAV	£	ave NAV
Analysis of total direct transaction costs				
Exchange Traded Funds	-	0.00%	4,046	0.01%
Investment Trusts	46,274	0.11%	37,274	0.09%
Total direct transaction costs	<u>46,274</u>	<u>0.11%</u>	<u>41,320</u>	<u>0.10%</u>

(b) Average portfolio dealing spread

The average portfolio dealing spread of the investments at the balance sheet date was 0.85% (29 February 2016: 0.84%). This is calculated as the difference between the offer and bid value of the portfolio as a percentage of the offer value.

14. Capital commitments and contingent liabilities

The Fund had no capital commitments or contingent liabilities at the balance sheet date (29 February 2016: £nil)

15. Post balance sheet events

Subsequent to the year end, the net asset value per share of the B Accumulation shares has increased from 287.53p to 300.64p as at 24 May 2017. This movement takes into account routine transactions but also reflects the market movements of recent months. There are no post balance sheet events which require adjustments at the year end.

TB WISE INVESTMENT, DISTRIBUTION TABLE

For the year ended 28 February 2017

Interim Distribution (31 August 2016)

Group 1 - Shares purchased on or prior to 29 February 2016

Group 2 - Shares purchased after 29 February 2016

Shares	Revenue	Equalisation¹	Paid/Accumulated	Paid/Accumulated
	(pence)	(pence)	31.10.16	31.10.15
			(pence)	(pence)
B Accumulation				
Group 1	1.4973	-	1.4973	1.5384
Group 2	0.4863	1.0110	1.4973	1.5384
A Accumulation				
Group 1	0.6977	-	0.6977	0.8138
Group 2	-	0.6977	0.6977	0.8138

Final Distribution (28 February 2017)

Group 1 - Shares purchased on or prior to 31 August 2016

Group 2 - Shares purchased after 31 August 2016

Shares	Revenue	Equalisation¹	Paid/Accumulated	Paid/Accumulated
	(pence)	(pence)	30.04.17	30.04.16
			(pence)	(pence)
B Accumulation				
Group 1	0.8478	-	0.8478	0.3048
Group 2	0.3211	0.5267	0.8478	0.3048
A Accumulation				
Group 1	-	-	-	-
Group 2	-	-	-	-
W Accumulation				
Group 1	0.0550	-	0.0550	N/A
Group 2	-	0.0550	0.0550	N/A

¹ Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

TB WISE INCOME, AUTHORISED STATUS

The Fund is a sub-fund of TB Wise Investment Funds with investment powers equivalent to those of a UCITS Scheme as defined in the Glossary to the Financial Conduct Authority ('FCA') Handbook.

INVESTMENT OBJECTIVE AND POLICY

The investment objective of TB Wise Income is to provide a starting yield roughly equivalent to a good building society account with the potential for income growth and capital growth from a diversified portfolio of collective investment schemes, including unit trusts and open-ended investment companies, equities including investment trusts, bonds, government securities, money market instruments and cash. There will be no restriction on allocations between asset classes or geographic regions.

ONGOING CHARGES FIGURE

The Ongoing Charges Figure ('OCF') provides investors with a clearer picture of the total annual costs in running a Collective Investment Scheme. The OCF consists principally of the Annual Management Charge, but also includes the costs for other services paid in respect of Depositary, custody, FCA, audit fees and transaction charges. As the Fund invests in other funds, the weighted average costs of the underlying funds are also taken into account. The OCFs, as calculated in accordance with ESMA guidelines, are disclosed as 'Operating charges (p.a.)' in the Summary of Fund Performance tables on pages 47 to 52.

Please note that the maximum level of management fees which may be charged to any collective investment scheme in which the Fund invests is 6%.

SYNTHETIC RISK AND REWARD INDICATOR

The Synthetic Risk and Reward Indicator demonstrates in a standard format where the Fund ranks in terms of its potential risk and reward. It is based on historical performance data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The indicator uses a scale of 1 to 7. The higher the rank the greater the potential reward but the greater the risk of losing money. The lowest category does not mean a fund is a risk free investment.

The Fund is in risk category 4 because it invests in a variety of asset classes, but with a bias towards shares.

RISK PROFILE

The value of investments may go down as well as up in response to general market conditions and the performance of the assets held. Investors may not get back the money which they invested.

There is no guarantee that the Fund will meet its stated objectives.

The Fund invests in global shares, with some regions being regarded as more risky. The movements of exchange rates may lead to further changes in the value of investments and the income from them.

There is a risk that any company providing services such as safe keeping of assets or acting as counterparty to derivatives may become insolvent, which may cause losses to the Fund.

CHANGES TO THE FUND

On 1 April 2016 the annual management charge for the B Accumulation shares changed from 'up to 1.00%' to a fixed charge of 0.79%. The annual management charge for the A Accumulation shares changed from 'up to 1.65%' to a fixed charge of 1.44%. At the same date, an administration fee (previously part of the annual management charge) was introduced. This is charged as follows: 0.21% p.a. on first £100m*; 0.11% p.a. on next £50m*; 0.06% p.a. on next £50m* and 0.01% on the balance, subject to a minimum of £80,000 per annum. This change was notified to investors in advance and did not change the OCF.

** measured for the Company as a whole (i.e. the value of all sub-funds is taken into account).*

TB WISE INCOME, INVESTMENT REVIEW

Cumulative returns for the period ended 28 February 2017 (%)

	1 year	3 years	5 years
TB Wise Income – B Shares ¹	33.22	36.61	91.24
TB Wise Income – A Shares ¹	32.38	34.18	85.40
IA Flexible Investment Sector	20.73	25.25	46.95
Bats UK All Companies	23.65	21.18	56.46

¹ Performance 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.

Explanation of the TB in TB Wise Income

T Bailey, a Nottingham-based firm, has been our funds' administrator and Authorised Corporate Director (ACD) since 2007. The ACD is a regulated function which primarily involves ensuring that the fund does not breach any of the FCA's rules. An FCA rule states that where a company manages a fund with its own company name in the title, as in Wise Income, if the fund uses an external firm as its ACD, then this fact must be designated by inserting the initials of the ACD in the title, as in TB Wise Income. For brevity, the fund will be referred to as **Wise Income** in the remainder of this report.

Introduction

This report will discuss the fund's performance during the year ended 28th February 2017, and give a brief summary of the outlook for the coming year.

Investment Objective & Policy

Wise Income was launched in October 2005. Its three aims remain the same as they were on the day we launched the fund. The aims are to pay an attractive income yield to investors, and to increase the annual income payments, and the fund's share value, at the rate of inflation or better over time. We will discuss our performance against these objectives further on in this report.

Our investment universe is deliberately as broad as possible. **Wise Income** can invest in any or all of the following asset classes, cash, fixed interest including government stock (gilts) and company stock (corporate bonds), shares - both listed equities and private equity, commercial property (via investment trusts) and infrastructure funds including renewable energy. We can invest in these assets anywhere in the world, and in whatever proportions we believe will best achieve our stated objectives.

Wise Income is listed in the IA Flexible Investment sector, which gives us the freedom to invest in the unconstrained fashion which we believe will produce the best overall returns for our investors.

Share Classes

Wise Income has three share classes. The A shares are a legacy share class, with higher charges. At the year-end, less than 2% of the fund was in the A shares. The W share class is a new one, which we have just introduced, and will be covered in future reports. Figures quoted in this report will refer to the B shares, which the majority of investors hold.

Performance

We quote fund performance on a total return basis, net of all charges. A total return basis means looking at the return as if the income was reinvested. If you plough back your income, then you have more capital on which to make returns in the following year, creating a virtuous circle. On the other hand, at least half the investors in the fund take income, so the return they see is the change in value of the capital. For them, the 'total return' basis makes the returns look better than the return they actually experience. However, if we were only to quote performance in terms of the capital return, it would be to the disadvantage of this fund, which in addition to any capital gain, pays a dividend which is currently around 4.8% of the capital value. Quoting the performance of a fund which has made, say, a 10% gain in a year as well as paying 4.8% dividend, as if it was the same as one which has made the 10% capital gain without paying any dividend, would be misleading, making the returns on the dividend-paying fund look worse than they actually are.

We continue to quote returns on a total return basis, while being aware that doing so could be seen as misleading for those invested in the income classes.

This year has seen a recovery following the difficult 2015-6 year. In 2016-7, **Wise Income** made a total return of 33.22%. Our benchmarks, the IA Flexible Investment sector average and the Bats UK All-companies index, made returns of 20.73% and 23.65% respectively. The IA benchmark is the average return made by the 150-odd funds in the Flexible sector, in which **Wise Income** sits. The Bats index tracks the performance of the largest 500 or so stock market listed companies in the UK.

Longer-term returns remain good. Over five years, **Wise Income** has made a total return of around 91%. Since the markets began to recover following the trauma of the Financial Crisis, in March 2009, **Wise Income** has made a total return of around 263%, equivalent to an annual compound return of approximately 18% per annum. Over this period, valuations have recovered, and the spectacular mis-pricing of some assets which occurred during the crisis and has helped our returns over the last few years has all but vanished. We therefore expect positive returns going forward, but at lower levels than we have seen since 2009.

Volatility

Wise Income's volatility continues to be low. The fund's current risk score on Financial Express is 61, compared to a risk score of 100 for the UK stock market.

Dividends

Wise Income's dividend yield was around 4.8% as at February 28th. During the year, capital values rose faster than income payments, so the fund now yields less than the 5.5% available a year earlier.

Investors are prepared to pay more for a secure income, which means that a 'safe' income tends to be a lower income. We assess each asset on its own merits, and come to our own conclusion on risk. We believe that the market gets it right a lot of the time, but not always. In an over-valued market, it gets harder and harder to find high income streams that aren't also unattractively risky, and in such times we prefer to accept a lower-yielding fund, rather than one that continues to pay a higher income, but with high risk of dividend cuts and capital losses. On a scale of 1-10, where 1 is cheap, with high, safe dividend streams widely available in all asset classes, and 10 is the opposite, we would judge today's market to be around a 7.

Ongoing Charges Figure

Wise Income's Ongoing Charges Figure (OCF) was 0.93% as at February 28th. The table below shows how the figure has come down over the last few years. The fund's OCF is low for a fund of funds, and partly reflects the amount of direct holdings where there is no underlying fee. The direct holdings, at 56.1% of the fund, are higher than last year's figure of 45.9%, and contribute to the lower OCF.

OCF	28.02.17	29.02.16	28.02.15	28.02.14	28.03.13	29.02.12	28.02.11
'B' shares % p.a.	0.93	0.99	1.19	1.34	1.43	1.46	1.50

TB WISE INCOME, INVESTMENT REVIEW (CONTINUED)

Fund Size

The fund size as at February 28th was £ 77.3m, up 53% on the year.

Where Wise Income Invests

The table below shows how **Wise Income** was invested at the year-end. We have included the comparable figures for the previous year-end, which shows that there have been only minor changes in overall asset allocation over the year.

	28th February 2017		29th February 2016	
Shares				
UK	53.4		47.2	
Overseas	17.3	70.7	22.3	69.5
Fixed Interest				
UK	2.5		1.7	
Overseas	-	2.5	-	1.7
Property				
UK Commercial Property		10.4		8.5
Private Equity		12.6		11.3
Renewable Energy		1.6		4.0
Cash		2.2		5.0
		100.0		100.0

The full list of holdings at the balance sheet date is shown in the Portfolio Statement on pages 43 to 46.

Review

Wise Income continues to be invested mainly in shares, while continuing to review investment opportunities in other asset classes.

During the winter of 2015-6, commentators were pessimistic on the outlook for the world economy, a judgement which has proved to be unfounded, so far. The five-year collapse in the prices of commodities (iron, coal, nickel, copper, etc), and in the companies who extract them, reached its climax in January 2016. During this time, we were able to invest in mining shares, and in the markets of Asia and the emerging markets, at extraordinarily low levels, and correspondingly high yields. We invested or added to holdings in Blackrock World Mining, Ashmore (an emerging market investment specialist), Murray International (a cautiously managed investment trust which includes emerging market assets, particularly bonds) and Middlefield Canadian Trust (whose share price had been hit by poor sentiment towards the oil sector, and by the weakness of the Canadian dollar). During the first half of the year, the prices of these assets rose in spectacular fashion, and we have subsequently reduced holdings.

We were offered another opportunity by the EU referendum in June. The ‘Leave’ result took the markets by surprise, and the pound fell sharply against both the Euro and the US dollar. Bank of England Governor Mark Carney predicted a recession in the UK. The currency movements were a gift for the UK’s exporting companies, whose overseas earnings received an immediate boost. The weaker pound appeared to be a blow for domestic-focused companies, who would face inflation on imported goods, a weak consumer, and the headwind of a recession. In the days after the result was announced, the shares of exporting companies rose sharply, while those of domestic companies slumped. We were able to buy shares in a number of excellent companies, including Savills, Morgan Sindall and Telford Homes at extremely attractive prices. We bought these assets on the basis of their strength as companies, and for their well-covered dividends, and have been surprised by the speed and extent of their price recovery over the last few months. This re-rating has been the other main contributor to performance over the last year.

All three of our private equity trusts performed strongly in 2016-17. They were undeniably cheap at the start of the year, and are towards the upper end of ‘fair value’ now. If the re-rating continues, we are likely to reduce these holdings as a proportion of the fund.

The same thing can be said of our commercial property exposure. During the year, Picton Property’s net asset value has continued to grow, but the share price, apart from a blip at the time of the referendum, has overtaken it, and the trust’s share price currently stands at a small premium to the net asset value. The trust’s management continues to be excellent, but we have reduced the holding, instead adding to the (also excellent) Ediston Property trust, which remains at a discount, and incidentally pays a higher dividend than does Picton.

The appetite among investors for income-paying assets remains as strong as ever. For some years we have seen trusts such as HICL, which invest in economic infrastructure, (toll roads, schools, hospitals, etc) trading at high premiums to their asset values. Investors regard the infrastructure income streams as long-term, high quality, not correlated to the movements of the stock-market, and with a degree of index-linking. ‘What’s not to like?’ as they say. We would reply ‘The price’. We continue to review the sector regularly, but have not invested in it during the year.

It would appear that alternative energy funds have finally become mainstream. We have always been strongly in favour of clean energy, and are delighted to see it gaining share in the UK’s energy mix. Solar panels are becoming ever more efficient, and their prices have come down to such an extent that solar farms no longer need subsidies, and can compete on equal terms with traditional fossil fuels. However, the prices of the shares of funds that invest in the sector have soared over the last few months. They are popular for the same reasons as the infrastructure funds. Our enthusiasm for them is tempered by the double-digit premiums to their net asset values, which long experience has taught us to avoid.

At a ‘macro’ level, opportunities to invest in long-term, secure dividend streams at attractive prices appear to be rather scarce at present. To us, the opportunities are currently to be found in specific companies, sectors and funds, however there are enough of those to keep us busy. Markets continue to be volatile. We don’t know what Brexit-like or Trump-like events may lie ahead of us, but each such occurrence seems to throw up chances to invest in assets we like at prices we are happy to pay.

Longer-Term Performance against Aims

First Aim – An Attractive Dividend Yield

When we launched **Wise Income**, we defined ‘an attractive initial yield’ as being roughly equivalent to the best building society rate, in order that investors who transferred money from a building society account to the fund should not experience a significant loss of income. However, with the best building societies paying barely 1.0%, this comparison is no longer appropriate.

The yield for new investors is the amount of income the fund pays for a given level of investment. For example, if you invest £ 100, and receive £4 in income in the first year, then the yield is 4%. The yield will tend to drop if markets rise, and rise if markets fall. Our continuing aim is to pay an attractive level of income. However, we will not artificially inflate that income by buying assets which we believe aren’t capable of sustaining income payments at their current level in the longer term. At February 28th, the fund yield was 4.8%. We believe this yield to be attractive in today’s market.

TB WISE INCOME, INVESTMENT REVIEW (CONTINUED)

Second Aim – Increase Income Payments in Line With Inflation or Better

The table below is an attempt to monitor our success in meeting this objective. The table takes 2006 as its starting year, as that was our first full year of making dividend payments. It shows the dividend payments that have actually been made (column A), and compares them to what would have been paid if we had increased 2006's payment each year since then in line with retail price inflation (column B). The table shows that we have achieved our second goal so far.

Doing so was made more difficult by the Global Financial Crisis of 2007-9, when dividend payments were slashed across the board and in some cases passed altogether. The table shows that it took four years for **Wise Income's** dividend to recover to its 2007 level.

Our focus on paying dividends is unwavering. Investors who have held the fund since launch have received 57.5p in dividends, equivalent to more than half their initial investment, over a period of eleven and a half years.

Year	Dividend declared in year* (Column A)	RPI (Dec)	RPI Growth in year (%)	Wise Income's R.P.I.-linked dividend (Column B)	Investors gain/(loss) (A-B)
2006	4.29	202.7			
2007	5.03	210.9	+4.04	4.46	0.57
2008	4.60	212.9	+0.94	4.50	0.10
2009	4.22	218.0	+2.39	4.61	(0.39)
2010	4.95	228.4	+4.77	4.83	0.12
2011	5.29	239.4	+4.81	5.06	0.23
2012	5.10	246.8	+3.09	5.22	(0.12)
2013	5.35	253.4	+2.67	5.36	(0.01)
2014	5.34	257.5	+1.61	5.45	(0.11)
2015	5.49	260.6	+1.20	5.52	(0.03)
2016	6.05	267.1	+2.49	5.66	0.39
					0.75

*B Income shares

Third Aim – Grow the Capital Value in Line with Inflation or Better

Wise Income's income share price was £ 1.00 at launch, and £ 1.2694 on February 28th this year. Since **Wise Income's** launch in October 2005, the retail price index has risen from 193.3 to 267.1 at the end of February 2017, so in order to achieve our third aim, the price should be at least 38.2% higher than when we started. We have made up a lot of ground this year, but are still behind our target, with a capital gain of 27% against a target of 38%.

Wise Income's capital value is still recovering from the huge set-back of the global crisis, when the income share price fell to almost 50p. Investors have seen strong capital gains in the last eight years. We believe that many of the holdings in the fund are significantly undervalued, and in an environment where there is an ever-growing demand for income-producing assets, we are hopeful of inflation-beating capital gains in the foreseeable future.

Recognition

In 2014, **Wise Income** was short-listed for Fund of the Year in the IA Flexible Investment sector for the fourth successive year. The fund won the Fund of the Year award at the Professional Adviser awards in 2014, and was nominated in 2017.

Wise Income continues to hold a five-star Financial Express rating, out of a possible five.

At the end of February, Tony Yarrow was a City Wire A rated fund manager.

Outlook

The macro-economic environment remains challenging. Our job as investors is to make the best risk-adjusted returns we can in the conditions in which we find ourselves.

We continue to believe that we can make acceptable returns by sourcing investment ideas from the widest possible selection of assets, altering the mix over time as conditions change, and using market movements to fine-tune the portfolio.

We invest in robust income streams, and not in asset prices. The crucial ingredient in any investment we make is its ability to pay an attractive income stream, which has the potential to grow over time. We invest in public markets, and we cannot control the price fluctuations of the assets we own. We believe we are careful drivers, but sometimes the other road users are not, and will persist in piling into markets at the top, and then piling out again at the bottom. These investors are adept at constructing narratives to justify their idiotic behaviour. We aim to use the volatility created by the herd mentality to our investors' advantage.

We look forward to the year ahead with cautious optimism.

Tony Yarrow
Fund Manager
Wise Investments Limited
2 June 2017

TB WISE INCOME, PORTFOLIO STATEMENT

 As at 28 February 2017

Holding or nominal value of positions	Bid market value £	Percentage of total net assets %
Asia		
(3.1%; 29.02.16 - 4.1%)		
1,150,000 Aberdeen Asian Income	2,363,250	3.1
	2,363,250	3.1
Fixed Interest		
(2.5%; 29.02.16 - 1.7%)		
752,354 Balfour Beatty 10.75p	893,420	1.2
870,325 Royal London Sterling Extra Yield Bond	1,017,584	1.3
	1,911,004	2.5
International		
(2.0%; 29.02.16 - 5.6%)		
130,155 Murray International	1,531,924	2.0
	1,531,924	2.0
Japan		
(0.8%; 29.02.16 - 0.0%)		
500,000 Coupland Cardiff Japan Income and Growth	637,500	0.8
	637,500	0.8
Large-Caps		
(13.3%; 29.02.16 - 15.6%)		
20,000 AstraZeneca	928,800	1.2
663,141 Centrica	1,504,004	1.9
730,000 J Sainsbury	1,952,020	2.5
1,260,058 Legal & General	3,128,724	4.1
2,350,000 Lloyds	1,613,745	2.1
80,000 Marks & Spencer	267,840	0.4
235,000 Standard Life	866,445	1.1
	10,261,578	13.3

TB WISE INCOME, PORTFOLIO STATEMENT (CONTINUED)As at 28 February 2017

Holding or nominal value of positions	Bid market value £	Percentage of total net assets %
Mid-Caps (12.2%; 29.02.16 - 12.4%)		
300,000 Aberdeen Asset Management	829,200	1.1
305,000 Ashmore	1,085,800	1.4
420,000 Carillion	918,960	1.2
60,000 Close Brothers	904,800	1.2
133,419 Kier	1,939,912	2.5
1,243,766 Marston's	1,650,477	2.1
146,000 Savills	1,249,030	1.6
58,509 WS Atkins	851,306	1.1
	<hr/> 9,429,485	<hr/> 12.2
North America (4.0%; 29.02.16 - 4.5%)		
3,039,350 Middlefield Canadian Income	3,100,137	4.0
	<hr/> 3,100,137	<hr/> 4.0
Private Equity (12.6%; 29.02.16 - 11.3%)		
484,364 F&C Private Equity	1,467,623	1.9
182,000 NB Private Equity Partners	1,883,618	2.4
805,000 Princess Private Equity	6,433,810	8.3
	<hr/> 9,785,051	<hr/> 12.6
Property (10.4%; 29.02.16 - 8.5%)		
2,249,000 Ediston Property	2,355,828	3.0
500,000 LondonMetric Property	774,000	1.0
4,560,000 Picton Property Income	3,693,600	4.8
675,000 U + I	1,208,250	1.6
	<hr/> 8,031,678	<hr/> 10.4

TB WISE INCOME, PORTFOLIO STATEMENT (CONTINUED)

 As at 28 February 2017

Holding or nominal value of positions	Bid market value £	Percentage of total net assets %
Small-Caps		
(27.9%; 29.02.16 - 14.9%)		
2,080,000 Alliance Pharma	956,800	1.2
1,099,092 Boot (Henry)	2,503,182	3.2
240,000 Braemar Shipping Services	616,800	0.8
362,915 Chesnara	1,269,295	1.6
1,335,000 Harvey Nash	814,350	1.1
765,905 McColl's Retail	1,351,822	1.8
422,545 Montanaro UK Income	761,848	1.0
179,219 Morgan Sindall	1,779,645	2.3
1,134,669 Moss Bros	1,111,976	1.5
350,000 Numis Securities	934,500	1.2
623,545 Polar Capital	2,271,263	2.9
351,900 Quarto	1,027,548	1.3
475,735 Safestyle UK	1,409,365	1.8
896,624 Stobart	1,703,586	2.2
370,000 Tarsus	1,023,050	1.3
346,887 Telford Homes	1,203,698	1.6
43,000 Xp Power	819,150	1.1
	21,557,878	27.9
Specialist - Clean Energy		
(1.6%; 29.02.16 - 4.0%)		
1,162,735 Bluefield Solar Income	1,273,195	1.6
	1,273,195	1.6
Specialist - Resources		
(3.9%; 29.02.16 - 4.1%)		
634,500 BlackRock World Mining	2,314,339	3.0
21,600 Rio Tinto	712,044	0.9
	3,026,383	3.9

TB WISE INCOME, PORTFOLIO STATEMENT (CONTINUED)

As at 28 February 2017

Holding or nominal value of positions	Bid market value £	Percentage of total net assets %
Specialist - Utilities (3.5%; 29.02.16 - 4.0%)		
2,387,278 Ecofin Global Utilities and Infrastructure	2,703,592	3.5
	2,703,592	3.5
Portfolio of investments	75,612,655	97.8
Net other assets	1,718,498	2.2
Total net assets	77,331,153	100.0

UK Equity Income - Unit Trusts' sector disinvested since the beginning of the period (29 February 2016: 4.3%).

Asset Class	Asset class allocation as at 28 February 2017 (%)	Asset class allocation as at 29 February 2016 (%)
Investment Trusts	39.4	44.8
Collective Investment Schemes	2.3	4.3
Equities	54.9	44.2
Preference Shares	1.2	1.7
Cash and Other	2.2	5.0
Total	100.0	100.0

All holdings in investment trusts, equities and preference shares are listed on recognised stock exchanges. All holdings in collective investment schemes are Income units/shares and are traded on regulated markets.

TB WISE INCOME, SUMMARY OF FUND PERFORMANCE

B Income Shares	1 Mar 2016 to 28 Feb 2017	1 Mar 2015 to 29 Feb 2016	1 Mar 2014 to 28 Feb 2015
	(pence per share)	(pence per share)	(pence per share)
Change in net assets per share			
Opening net asset value per share	99.54	108.94	107.33
Return before operating charges*	33.17	(2.88)	8.05
Operating charges	(1.04)	(1.03)	(1.10)
Return after operating charges*	32.13	(3.91)	6.95
Distributions on income shares	(6.05)	(5.49)	(5.34)
Closing net asset value per share	125.62	99.54	108.94
* after direct transaction costs of:	0.42	0.40	0.45
Performance			
Return after charges	32.28%	(3.59)%	6.48%
Other information			
Closing net asset value	£46,819,205	£31,429,486	£29,141,914
Closing number of shares	37,270,068	31,574,077	26,750,359
Operating charges (p.a.)	0.93%	0.99%	1.19%
Direct transaction costs (p.a.)	0.37%	0.38%	0.42%
Prices			
Highest published share price	127.43	114.46	111.58
Lowest published share price	98.43	95.32	102.30

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.

TB WISE INCOME, SUMMARY OF FUND PERFORMANCE (CONTINUED)

B Accumulation Shares	1 Mar 2016 to 28 Feb 2017	1 Mar 2015 to 29 Feb 2016	1 Mar 2014 to 28 Feb 2015
	(pence per share)	(pence per share)	(pence per share)
Change in net assets per share			
Opening net asset value per share	172.50	179.34	168.25
Return before operating charges*	59.02	(5.11)	12.85
Operating charges	(1.85)	(1.73)	(1.76)
Return after operating charges*	57.17	(6.84)	11.09
Closing net asset value per share	229.67	172.50	179.34
Retained distributions on accumulation shares	10.70	9.22	8.50
* after direct transaction costs of:	0.75	0.67	0.72
Performance			
Return after charges	33.14%	(3.81)%	6.59%
Other information			
Closing net asset value	£28,830,183	£17,619,039	£18,442,681
Closing number of shares	12,552,963	10,213,771	10,283,696
Operating charges (p.a.)	0.93%	0.99%	1.19%
Direct transaction costs (p.a.)	0.37%	0.38%	0.42%
Prices			
Highest published share price	231.38	188.42	179.70
Lowest published share price	174.25	163.86	164.74

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.

TB WISE INCOME, SUMMARY OF FUND PERFORMANCE (CONTINUED)

A Income Shares	1 Mar 2016 to 28 Feb 2017	1 Mar 2015 to 29 Feb 2016	1 Mar 2014 to 28 Feb 2015
	(pence per share)	(pence per share)	(pence per share)
Change in net assets per share			
Opening net asset value per share	93.41	102.81	101.97
Return before operating charges*	31.04	(2.70)	7.64
Operating charges	(1.65)	(1.52)	(1.66)
Return after operating charges*	29.39	(4.22)	5.98
Distributions on income shares	(5.67)	(5.18)	(5.14)
Closing net asset value per share	117.13	93.41	102.81
* after direct transaction costs of:	0.39	0.38	0.43
Performance			
Return after charges	31.46%	(4.10)%	5.86%
Other information			
Closing net asset value	£536,766	£419,068	£710,324
Closing number of shares	458,282	448,614	690,888
Operating charges (p.a.)	1.58%	1.64%	1.84%
Direct transaction costs (p.a.)	0.37%	0.38%	0.42%
Prices			
Highest published share price	118.83	107.88	105.86
Lowest published share price	92.19	89.47	96.72

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.

TB WISE INCOME, SUMMARY OF FUND PERFORMANCE (CONTINUED)

A Accumulation Shares	1 Mar 2016 to 28 Feb 2017	1 Mar 2015 to 29 Feb 2016	1 Mar 2014 to 28 Feb 2015
	(pence per share)	(pence per share)	(pence per share)
Change in net assets per share			
Opening net asset value per share	161.42	168.78	159.28
Return before operating charges*	55.02	(4.80)	12.12
Operating charges	(2.91)	(2.56)	(2.62)
Return after operating charges*	52.11	(7.36)	9.50
Closing net asset value per share	213.53	161.42	168.78
Retained distributions on accumulation shares	10.01	8.71	8.11
* after direct transaction costs of:	0.69	0.63	0.68
Performance			
Return after charges	32.28%	(4.36)%	5.96%
Other information			
Closing net asset value	£1,133,761	£1,171,625	£4,529,373
Closing number of shares	530,957	725,831	2,683,536
Operating charges (p.a.)	1.58%	1.64%	1.84%
Direct transaction costs (p.a.)	0.37%	0.38%	0.42%
Prices			
Highest published share price	215.15	177.06	169.12
Lowest published share price	162.73	153.37	155.37

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.

TB WISE INCOME, SUMMARY OF FUND PERFORMANCE (CONTINUED)

W Income Shares	9 Dec 2016¹
	28 Feb 2017
	(pence per share)
Change in net assets per share	
Opening net asset value per share	118.93
Return before operating charges*	7.82
Operating charges	(0.19)
Return after operating charges*	7.63
Distributions on income shares	(0.74)
Closing net asset value per share	125.82
* after direct transaction costs of:	0.10
Performance	
Return after charges	6.42%
Other information	
Closing net asset value	£2,646
Closing number of shares	2,103
Operating charges (p.a.)	0.68%
Direct transaction costs (p.a.)	0.37%
Prices	
Highest published share price	127.50
Lowest published share price	118.35

¹ W Shares launched 9 December 2016.

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.

TB WISE INCOME, SUMMARY OF FUND PERFORMANCE (CONTINUED)

W Accumulation Shares	9 Dec 2016¹
	28 Feb 2017
	(pence per share)
Change in net assets per share	
Opening net asset value per share	215.95
Return before operating charges*	14.18
Operating charges	(0.34)
Return after operating charges*	13.84
Closing net asset value per share	229.79
Retained distributions on accumulation shares	1.34
* after direct transaction costs of:	0.18
Performance	
Return after charges	6.41%
Other information	
Closing net asset value	£8,592
Closing number of shares	3,739
Operating charges (p.a.)	0.68%
Direct transaction costs (p.a.)	0.37%
Prices	
Highest published share price	231.51
Lowest published share price	214.90

¹ W Shares launched 9 December 2016.

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.

TB WISE INCOME, STATEMENT OF TOTAL RETURNFor the year ended 28 February 2017

	Notes	£	28.02.17 £	29.02.16 £
Income				
Net capital gains/(losses)	2		15,020,612	(4,473,910)
Revenue	3	3,341,978		2,814,428
Expenses	4	(582,237)		(525,680)
Interest payable and similar charges	6	(24)		(82)
Net revenue before taxation		2,759,717		2,288,666
Taxation	5	(9,772)		(13,602)
Net revenue after taxation			2,749,945	2,275,064
Total return/(loss) before distributions			17,770,557	(2,198,846)
Distributions	6		(3,299,493)	(2,760,381)
Change in net assets attributable to shareholders from investment activities			14,471,064	(4,959,227)

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERSFor the year ended 28 February 2017

	Notes	£	28.02.17 £	29.02.16 £
Opening net assets attributable to shareholders			50,639,218	52,824,292
<i>Movements due to sales and repurchases of shares:</i>				
Amounts receivable on issue of shares		27,987,785		16,067,090
Amounts payable on cancellation of shares		(17,067,300)		(14,418,260)
			10,920,485	1,648,830
Change in net assets attributable to shareholders from investment activities			14,471,064	(4,959,227)
Retained distributions on accumulation shares	6		1,300,386	1,125,323
Closing net assets attributable to shareholders			77,331,153	50,639,218

TB WISE INCOME, BALANCE SHEETAs at 28 February 2017

	Notes	28.02.17 £	29.02.16 £
Assets:			
Fixed assets:			
Investments		75,612,655	48,093,095
Current assets:			
Debtors	7	717,791	1,044,961
Cash and bank balances	8	<u>1,641,773</u>	<u>2,140,649</u>
Total assets		<u>77,972,219</u>	<u>51,278,705</u>
Liabilities:			
Creditors:			
Distribution payable on income shares	6	326,247	258,774
Other creditors	9	<u>314,819</u>	<u>380,713</u>
Total liabilities		<u>641,066</u>	<u>639,487</u>
Net assets attributable to shareholders		<u>77,331,153</u>	<u>50,639,218</u>

TB WISE INCOME, NOTES TO THE FINANCIAL STATEMENTS

As at 28 February 2017

1. Accounting policies

(a) Basis of accounting

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with Financial Reporting Standard 102 (FRS 102) and in accordance with the Statement of Recommended Practice (SORP) for Financial Statements of Authorised Funds issued by the Investment Association in May 2014.

As described in the Statement of the Authorised Corporate Director's Responsibilities, the ACD continues to adopt the going concern basis in the preparation of the financial statements of the Fund.

(b) Functional currency

The functional currency used in the financial statements is Pound Sterling.

(c) Recognition of revenue

Dividends and distributions on holdings, net of any irrecoverable tax credits, are recognised when the underlying transferable security or collective investment scheme is quoted ex-dividend or ex-distribution. Bank interest and management fee rebates are accounted for on an accruals basis.

(d) Treatment of stock dividends

Stock dividends are credited to the capital account when the stock is quoted ex-dividend. The cash equivalent is then transferred to the revenue account and forms part of the distributable revenue.

The allocation of special dividends is considered on a case-by-case basis.

(e) Equalisation on distributions

Equalisation on revenue distributions received from underlying holdings in collective investment schemes is treated as a return of capital.

(f) Treatment of expenses

All expenses, net of any associated tax effect, are charged to the capital account with the exception of bank interest which is charged to the revenue account.

(g) Allocation of revenue and expense to multiple share classes

Any assets or liabilities not attributable to a particular share class will be allocated by the ACD in a manner which is considered fair to shareholders in general, usually pro-rata based on the net asset values of the relevant share classes.

(h) Taxation/deferred taxation

Corporation tax is provided for on taxable revenue, less deductible expenses, at a rate of 20%.

Deferred tax is provided for in respect of all items that have been included in these financial statements, or those of a previous period, that will be included in future periods for taxation purposes, other than those timing differences regarded as permanent. Any liability to deferred tax is provided for at the rate of tax expected to apply.

TB WISE INCOME, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 28 February 2017

1. Accounting policies (continued)**(i) Distribution policy**

Net revenue produced by the Fund's investments is accrued quarterly. At the end of each period, the revenue, plus an adjustment for expenses allocated to capital, is distributed/accumulated at the discretion of the Investment Manager, as per the prospectus.

(j) Exchange rates

Assets and liabilities in overseas currencies at the year-end are translated into Sterling at the latest available rates of exchange on the balance sheet date.

(k) Basis of valuation of investments

The investments are valued at closing prices on the balance sheet date. If closing prices are not available, the latest available prices are used.

If separate offer and bid prices are quoted for shares or units, then the bid price is used.

If no price or recent available price exists, the investment is valued at a price which, in the opinion of the ACD, reflects the fair value of the asset.

(l) Management fee rebates

Management fee rebates are accounted for on an accruals basis and are allocated to the capital or revenue account of the Fund, according to whether the underlying fund charges its fees to capital or revenue.

2. Net capital gains/(losses)

	28.02.17	29.02.16
	£	£
Non-derivative securities	14,377,697	(4,785,147)
Currency gains	646,393	315,197
Transaction charges	(3,478)	(3,960)
Net capital gains/(losses)	<u>15,020,612</u>	<u>(4,473,910)</u>

3. Revenue

	28.02.17	29.02.16
	£	£
UK franked distributions	16,054	178,674
UK unfranked distributions	20,561	89,995
UK franked dividends	1,963,985	1,708,030
UK unfranked dividends	123,505	120,413
Overseas dividends	1,217,800	718,425
Unfranked income currency losses	(128)	(1,254)
Bank interest	248	30
Management fee rebates	(47)	115
Total revenue	<u>3,341,978</u>	<u>2,814,428</u>

TB WISE INCOME, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 28 February 2017

4. Expenses

	28.02.17	29.02.16
	£	£
Payable to the ACD, associates of the ACD and agents of either:		
Annual management charge	506,099	475,889
Registration fees	2,883	2,901
Administration fees	<u>32,630</u>	<u>10,858</u>
	541,612	489,648
Payable to the Depositary, associates of the Depositary and agents of either:		
Depositary's fees	29,472	25,613
Safe custody fees	<u>1,526</u>	<u>1,341</u>
	30,998	26,954
Other expenses:		
Audit fee	6,480	6,480
Tax fee	2,280	2,280
FCA fee	245	318
Other expenses	<u>622</u>	<u>-</u>
	9,627	9,078
Total expenses	<u>582,237</u>	<u>525,680</u>
	28.02.17	29.02.16
	£	£
Fees payable to the company auditor for the audit of the companies annual accounts:		
Total audit fee	<u>6,480</u>	<u>6,480</u>
Total non audit fees - Tax compliance services	<u>2,280</u>	<u>2,280</u>

TB WISE INCOME, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 28 February 2017

5. Taxation**(a) Analysis of the charge in the year**

	28.02.17	29.02.16
	£	£
Analysis of charge in the year		
Irrecoverable income tax	-	1,282
Overseas tax	<u>9,772</u>	<u>12,320</u>
Total current tax for the year (see note 5(b))	<u>9,772</u>	<u>13,602</u>
Deferred tax (see note 5(c))	-	-
Total taxation for the year	<u>9,772</u>	<u>13,602</u>

(b) Factors affecting the current taxation charge for the year

The taxation assessed for the year is lower than the standard rate of corporation tax in the UK for an authorised Open-Ended Investment Company (20%). The differences are explained below:

	28.02.17	29.02.16
	£	£
Net revenue before taxation	<u>2,759,717</u>	<u>2,288,666</u>
Corporation tax at 20%	551,943	457,733
Effects of:		
Revenue not subject to taxation	(639,568)	(521,026)
Excess expenses for which no relief taken	87,625	63,293
Irrecoverable income tax	-	1,282
Overseas taxation	<u>9,772</u>	<u>12,320</u>
Current tax charge for the year (see note 5(a))	<u>9,772</u>	<u>13,602</u>

(c) Provision for deferred tax

At the 28 February 2017 the Fund had surplus management expenses of £2,160,015 (29 February 2016: £1,721,892). The deferred tax asset in respect of this would be £432,003 (29 February 2016: £344,378). It is unlikely that the fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised in the year.

TB WISE INCOME, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 28 February 2017

6. Distributions

The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	28.02.17	29.02.16
	£	£
Interim - Income (May)	762,325	609,011
Interim - Income (Aug)	416,602	355,788
Interim - Income (Nov)	562,716	431,169
Final - Income (Feb)	<u>326,247</u>	<u>258,774</u>
	2,067,890	1,654,742
Interim - Accumulation (May)	467,101	404,794
Interim - Accumulation (Aug)	268,703	255,606
Interim - Accumulation (Nov)	359,520	311,527
Final - Accumulation (Feb)	<u>205,062</u>	<u>153,396</u>
	1,300,386	1,125,323
Add: Revenue deducted on cancellation of shares	109,223	50,593
Deduct: Revenue received on issue of shares	<u>(178,006)</u>	<u>(70,277)</u>
Net distribution for the year	<u>3,299,493</u>	<u>2,760,381</u>
Interest	24	82
Total finance costs	<u>3,299,517</u>	<u>2,760,463</u>
Reconciliation to net distribution for the year		
Net revenue after taxation for the year	2,749,945	2,275,064
Expenses allocated to capital, net of tax relief	553,414	485,119
Realised income currency (losses)/gains	<u>(3,866)</u>	<u>198</u>
Net distribution for the year	<u>3,299,493</u>	<u>2,760,381</u>

Details of the distributions per share are set out on pages 67 to 70.

TB WISE INCOME, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 28 February 2017

7. Debtors

	28.02.17	29.02.16
	£	£
Amounts receivable for issue of shares	629,482	29,536
Sales awaiting settlement	-	841,115
Accrued revenue	77,441	156,625
Prepayments	23	30
Income tax recoverable	10,845	17,608
Management fee rebates recoverable	-	47
Total debtors	<u>717,791</u>	<u>1,044,961</u>

8. Cash and bank balances

	28.02.17	29.02.16
	£	£
Cash and bank balances	<u>1,641,773</u>	<u>2,140,649</u>
Total cash and bank balances	<u>1,641,773</u>	<u>2,140,649</u>

9. Other creditors

	28.02.17	29.02.16
	£	£
Amounts payable for cancellation of shares	250,074	218,552
Purchases awaiting settlement	-	110,704
Accrued annual management charge	49,686	38,997
Accrued registration fees	249	266
Accrued administration fees	2,849	991
Accrued depository fees	2,883	2,115
Accrued custody fees	314	328
Accrued audit fees	6,480	6,480
Accrued tax fees	2,280	2,280
Debit interest payable	4	-
Total creditors	<u>314,819</u>	<u>380,713</u>

10. Related party transactions

The ACD is regarded as a related party of the Fund. The ACD acts as either agent or principal for the Depository in respect of all transactions in the Fund's shares. The aggregate monies received through issue and paid on cancellation are disclosed in the statement of change in net assets attributable to shareholders. As at the balance sheet date, there were no shares held by the ACD, the Depository or associates of either the ACD or the Depository.

As at the balance sheet date there was one shareholder that held 32.7% of the Fund's total net asset value.

Details of transactions occurring during the accounting period with the ACD and the Depository, and any balances due at the year end, are fully disclosed in notes 4 and 9 of the financial statements.

TB WISE INCOME, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 28 February 2017

11. Share classes

As at the balance sheet date the Fund had six share classes. The following table shows a breakdown of the change in shares in issue of each share class in the period:

	B Income
Opening shares at the start of the period	31,574,077.041
Total creation of shares in the period	11,211,965.721
Total cancellation of shares in the period	(5,515,974.898)
Closing shares at the end of the period	37,270,067.864
	A Income
Opening shares at the start of the period	448,613.793
Total creation of shares in the period	89,179.384
Total cancellation of shares in the period	(79,511.396)
Closing shares at the end of the period	458,281.781
	W Income*
Opening shares at the start of the period	-
Total creation of shares in the period	2,103.145
Total cancellation of shares in the period	-
Closing shares at the end of the period	2,103.145
	B Accumulation
Opening shares at the start of the period	10,213,770.546
Total creation of shares in the period	7,274,421.035
Total cancellation of shares in the period	(4,935,228.263)
Closing shares at the end of the period	12,552,963.318
	A Accumulation
Opening shares at the start of the period	725,830.861
Total creation of shares in the period	107,661.756
Total cancellation of shares in the period	(302,535.693)
Closing shares at the end of the period	530,956.924
	W Accumulation*
Opening shares at the start of the period	-
Total creation of shares in the period	3,738.842
Total cancellation of shares in the period	-
Closing shares at the end of the period	3,738.842

TB WISE INCOME, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 28 February 2017

11. Share classes (continued)

As at the balance sheet date the annual management charge of each share class was as follows:

TB Wise Income – A Accumulation shares	1.44% p.a.
TB Wise Income – B Accumulation shares	0.79% p.a.
TB Wise Income – W Accumulation shares	0.54% p.a.
TB Wise Income – A Income shares	1.44% p.a.
TB Wise Income – B Income shares	0.79% p.a.
TB Wise Income – W Income shares	0.54% p.a.

Please note that as mentioned on page 36 the annual management charge was changed to a fixed rate of 0.79% for the B Accumulation and B Income shares and a fixed rate of 1.44% for the A Accumulation and A Income shares on 1 April 2016. W Shares were launched on 9 December 2016.

The net asset value of each share class, the net asset value per share, and the number of shares in each share class are given in the Summary of Fund Performance tables on pages 47 to 52. The distributions per share class are given in the distribution tables on pages 67 to 70. Income, and the associated tax, which is not attributable to a particular share class is allocated by the ACD in a manner which is considered fair to shareholders in general, usually pro-rata based on the net asset values of the share classes. All classes have the same rights on winding up.

12. Risk management policies

In pursuing the investment objectives financial instruments are held which may expose the Fund to various types of risk. The main risks inherent in the investment portfolio, and the ACD's policies for managing these risks, which were applied consistently throughout the year, are set out below:

(a) Currency exposures

The Fund's financial assets are mainly invested in investment trusts, equities and other collective investment schemes whose prices are generally quoted in Sterling. The Fund may also invest in securities whose prices are quoted in other currencies. This gives rise to a direct currency exposure, details of which are shown in the following table.

	Net foreign currency assets at 28 February 2017			Net foreign currency assets at 29 February 2016		
	Monetary exposures	Non- monetary exposures	Total	Monetary exposures	Non- monetary exposures	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Euro	-	6,435	6,435	-	3,482	3,482
US Dollar	37	1,884	1,921	33	1,322	1,355

There are no specific policies employed to manage the currency exposure but the exposure will tend to be a relatively small percentage of the total net asset value of the Fund (28 Feb 2017: 10.7%; 29 Feb 2016: 9.6%)

In addition, the Fund's investments have an indirect exposure to exchange rate movements on the underlying investments of the investment trusts and collective investment schemes that are held in foreign currencies. Movements in exchange rates will impact on the prices of such underlying investments and as a result may affect the value of the Fund.

TB WISE INCOME, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 28 February 2017

12. Risk management policies (continued)**(a) Currency exposures (continued)**

If GBP to foreign currency exchange rates had strengthened by 10% as at the balance sheet date, the net asset value of the fund would have decreased by £756,130 (29 February 2016: £446,306). If GBP to foreign currency exchange rates had weakened by 10% as at the balance sheet date, the net asset value of the fund would have increased by £924,159 (29 February 2016: £545,485). These calculations assume all other variables remain constant.

(b) Cash flow risk and interest rate risk profile of financial assets and liabilities

The Fund's revenue is mainly received from holdings in investment trusts, equities and other collective investment schemes. The revenue cash flow from these and from their underlying investments may fluctuate depending upon decisions made by the companies in which they invest. The Fund does not have any long term financial liabilities.

The Fund is affected by the impact of movements in interest rates on its own cash balances and on certain underlying investments held by the investment trusts and collective investment schemes in which it invests. The direct exposure to interest rate risk as at the balance sheet date is shown in the following table:

	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Floating rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
28.02.17						
Euro	-	-	6,435	-	-	6,435
Sterling	1,605	893	67,118	-	(641)	68,975
US Dollar	37	-	1,884	-	-	1,921
29.02.16						
Euro	-	-	3,593	-	(111)	3,482
Sterling	2,108	854	43,369	-	(529)	45,802
US Dollar	33	-	1,322	-	-	1,355

Short term debtors and creditors are included as non-interest bearing financial assets and liabilities in the above table.

The floating rate financial assets and liabilities comprise: Sterling denominated bank account balances that bear interest at the Bank of England base rate less 75 basis points (to a minimum of NIL) and overdrafts that bear interest at the Bank of England base rate plus 100 basis points. Non-interest bearing financial assets and liabilities mainly comprise investments that do not have a maturity date.

Cash flow risk and interest rate risk is managed by only holding cash at reputable financial institutions.

Changes in interest rates would have no material impact to the valuation of floating rate financial assets or liabilities as at the balance sheet date. Consequently, no sensitivity analysis has been presented.

TB WISE INCOME, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 28 February 2017

12. Risk management policies (continued)**(c) Liquidity risk**

All of the Fund's underlying financial assets are considered to be readily realisable. Where investments cannot be realised in time to meet any potential liability, the Fund may borrow up to 10% of its net asset value to ensure settlement. All of the Fund's financial liabilities are payable on demand or in less than one year.

(d) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. This includes counterparty and issuer risk. Cash is held with reputable credit institutions and credit risk is assessed on a regular basis.

Certain transactions in securities that the Fund enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Fund has fulfilled its obligations. The Fund only buys and sells investments through brokers which have been approved by the ACD as an acceptable counterparty and these are reviewed on an ongoing basis.

(e) Market price risk

The value of shares/units in the underlying investments is not fixed and may go down as well as up. This may be the result of a specific factor affecting the value of an individual share/unit held within an underlying investment or be caused by general market factors (such as government policy or the health of the underlying economy) which can affect the entire portfolio.

The Investment Manager seeks to minimise these risks by holding diversified portfolios of collective investment schemes and transferable securities in line with the investment objectives. In addition, the management of the Fund complies with the Financial Conduct Authority's Collective Investment Schemes sourcebook, which includes rules prohibiting a holding greater than 20% of the assets of the Fund in any one underlying investment.

If the value of shares/units in the underlying investments were to increase or decrease by 10% the change in the net asset value of the Fund would be £7,561,266 (29 February 2016: £4,809,310). This calculation assumes all other variables remain constant.

(f) Fair value of financial assets and liabilities

Valuation technique	INVESTMENT ASSETS	
	28 Feb 2017	29 Feb 2016
	£	£
Quoted prices for identical instruments in active markets	73,833,223	45,939,265
Prices of recent transactions for identical instruments	1,779,432	2,153,830
Valuation techniques using observable market data	-	-
Valuation techniques using non-observable data	-	-
	<u>75,612,655</u>	<u>48,093,095</u>

As at the year-end there were no investment liabilities (29 February 2016: £nil). There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

(g) Commitments on derivatives

No derivatives were held at the balance sheet date (29 February 2016: £nil).

TB WISE INCOME, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

 As at 28 February 2017

13. Transaction costs
(a) Direct transaction costs

Direct transaction costs include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties incurred when purchasing and selling the underlying securities. A breakdown of the purchases and sales, and the related direct transaction costs incurred by the Fund in the period are shown in the table below:

	28.02.17		29.02.16	
	£		£	
Analysis of total purchase costs				
PURCHASES				
Collective Investment Schemes	2,734,583		4,652,421	
Equities	31,798,143		19,895,632	
Investment Trusts	<u>14,113,973</u>		<u>18,805,223</u>	
Net purchases before direct transaction costs	48,646,699		43,353,276	
		% of total purchases		% of total purchases
DIRECT TRANSACTION COSTS				
Equities	152,353	0.31%	106,486	0.24%
Investment Trusts	<u>46,575</u>	<u>0.10%</u>	<u>59,324</u>	<u>0.14%</u>
Total direct transaction costs	198,928	0.41%	165,810	0.38%
Gross purchases total	<u>48,845,627</u>		<u>43,519,086</u>	
Analysis of total sale costs				
SALES				
Collective Investment Schemes	3,238,706		12,197,738	
Equities	19,966,500		18,698,900	
Investment Trusts	13,191,248		10,951,418	
Preference Shares	-		<u>713,985</u>	
Gross sales before direct transaction costs	36,396,454		42,562,041	
		% of total sales		% of total sales
DIRECT TRANSACTION COSTS				
Equities	(22,597)	0.06%	(20,613)	0.06%
Investment Trusts	(11,421)	0.03%	(14,878)	0.03%
Preference Shares	-	0.00%	(864)	0.00%
Total direct transaction costs	<u>(34,018)</u>	<u>0.09%</u>	<u>(36,355)</u>	<u>0.09%</u>
Net sales total	<u>36,362,436</u>		<u>42,525,686</u>	

TB WISE INCOME, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 28 February 2017

13. Transaction costs (continued)**(a) Direct transaction costs (continued)**

	28.02.17	% of	29.02.16	% of
	£	ave NAV	£	ave NAV
Analysis of total direct transaction costs				
Equities	174,950	0.28%	127,099	0.24%
Investment Trusts	57,996	0.09%	74,202	0.14%
Preference Shares	-	0.00%	864	0.00%
Total direct transaction costs	232,946	0.37%	202,165	0.38%

(b) Average portfolio dealing spread

The average portfolio dealing spread of the investments at the balance sheet date was 0.77% (29 February 2016: 0.76%). This is calculated as the difference between the offer and bid value of the portfolio as a percentage of the offer value.

14. Capital commitments and contingent liabilities

The Fund had no capital commitments or contingent liabilities at the balance sheet date (29 February 2016: £nil).

15. Post balance sheet events

Subsequent to the year end, the net asset value per share of the B Accumulation shares has increased from 229.67 to 249.11p as at 24 May 2017. This movement takes into account routine transactions but also reflects the market movements of recent months. There are no post balance sheet events which require adjustments at the year end.

TB WISE INCOME, DISTRIBUTION TABLEFor the year ended 28 February 2017

Interim Distribution (31 May 2016)

Group 1 - Shares purchased on or prior to 29 February 2016

Group 2 - Shares purchased after 29 February 2016

Shares	Revenue	Equalisation¹	Paid	Paid
			/Accumulated	/Accumulated
			31.07.16	31.07.15
	(pence)	(pence)	(pence)	(pence)
B Income				
Group 1	2.3333	-	2.3333	2.0686
Group 2	1.2854	1.0479	2.3333	2.0686
A Income				
Group 1	2.1881	-	2.1881	1.9618
Group 2	1.3956	0.7925	2.1881	1.9618
B Accumulation				
Group 1	4.0428	-	4.0428	3.4044
Group 2	1.6319	2.4109	4.0428	3.4044
A Accumulation				
Group 1	3.7840	-	3.7840	3.2425
Group 2	2.5789	1.2051	3.7840	3.2425

¹ Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

TB WISE INCOME, DISTRIBUTION TABLE (CONTINUED)For the year ended 28 February 2017

Interim Distribution (31 August 2016)

Group 1 - Shares purchased on or prior to 31 May 2016

Group 2 - Shares purchased after 31 May 2016

Shares	Revenue	Equalisation¹	Paid	Paid
			/Accumulated	/Accumulated
	(pence)	(pence)	31.10.16	31.10.15
			(pence)	(pence)
B Income				
Group 1	1.2462	-	1.2462	1.1999
Group 2	0.5755	0.6707	1.2462	1.1999
A Income				
Group 1	1.1658	-	1.1658	1.1312
Group 2	0.4953	0.6705	1.1658	1.1312
B Accumulation				
Group 1	2.2110	-	2.2110	2.0097
Group 2	1.0545	1.1565	2.2110	2.0097
A Accumulation				
Group 1	2.0589	-	2.0589	1.8864
Group 2	0.7698	1.2891	2.0589	1.8864

¹ Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes

TB WISE INCOME, DISTRIBUTION TABLE (CONTINUED)For the year ended 28 February 2017

Interim Distribution (30 November 2016)

Group 1 - Shares purchased on or prior to 31 August 2016

Group 2 - Shares purchased after 31 August 2016

Shares	Net revenue (pence)	Equal -isation¹ (pence)	Paid/Acc -umulated 31.01.17 (pence)	Paid/Acc -umulated 31.01.16 (pence)
B Income				
Group 1	1.6085	-	1.6085	1.4130
Group 2	0.8623	0.7462	1.6085	1.4130
A Income				
Group 1	1.5034	-	1.5034	1.3296
Group 2	0.6153	0.8881	1.5034	1.3296
B Accumulation				
Group 1	2.8806	-	2.8806	2.3968
Group 2	1.5726	1.3080	2.8806	2.3968
A Accumulation				
Group 1	2.6853	-	2.6853	2.2476
Group 2	0.6559	2.0294	2.6853	2.2476

¹ Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes

TB WISE INCOME, DISTRIBUTION TABLE (CONTINUED)For the year ended 28 February 2017

Final Distribution (28 February 2017)

Group 1 - Shares purchased on or prior to 30 November 2016

Group 2 - Shares purchased after 30 November 2016

Shares	Revenue	Equal	Paid/Acc	Paid/Acc
		-isation¹	-umulated	-umulated
	(pence)	(pence)	30.04.17	30.04.16
			(pence)	(pence)
B Income				
Group 1	0.8653	-	0.8653	0.8088
Group 2	0.4230	0.4423	0.8653	0.8088
A Income				
Group 1	0.8110	-	0.8110	0.7543
Group 2	0.2735	0.5375	0.8110	0.7543
W Income				
Group 1	0.7360	-	0.7360	N/A
Group 2	0.2699	0.4661	0.7360	N/A
B Accumulation				
Group 1	1.5703	-	1.5703	1.4071
Group 2	0.6265	0.9438	1.5703	1.4071
A Accumulation				
Group 1	1.4865	-	1.4865	1.3322
Group 2	0.9108	0.5757	1.4865	1.3322
W Accumulation				
Group 1	1.3357	-	1.3357	N/A
Group 2	0.0927	1.2430	1.3357	N/A

¹ Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes

EVENLODE INCOME, AUTHORISED STATUS

The Fund is a sub-fund of TB Wise Investment Funds with investment powers equivalent to those of a UCITS Scheme as defined in the Glossary to the Financial Conduct Authority ('FCA') Handbook.

INVESTMENT OBJECTIVE AND 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 Investment 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 Investment Manager will undertake fundamental analysis to identify shares in companies that offer this combination.

ONGOING CHARGES FIGURE

The Ongoing Charges Figure ('OCF') provides investors with a clearer picture of the total annual costs in running a Collective Investment Scheme. The OCF consists principally of the Annual Management Charge, but also includes the costs for other services paid in respect of Depositary, custody, FCA, audit fees and transaction charges. The OCFs, as calculated in accordance with ESMA guidelines, are disclosed as 'Operating charges (p.a.)' in the Summary of Fund Performance tables on pages 77 to 82.

SYNTHETIC RISK AND REWARD INDICATOR

The Synthetic Risk and Reward Indicator demonstrates in a standard format where the Fund ranks in terms of its potential risk and reward. It is based on historical performance data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The indicator uses a scale of 1 to 7. The higher the rank the greater the potential reward but the greater the risk of losing money. The lowest category does not mean a fund is a risk free investment.

The Fund is in risk category 5 because it invests in shares.

RISK PROFILE

The value of investments may go down as well as up in response to general market conditions and the performance of the assets held. Investors may not get back the money which they invested.

There is no guarantee that the Fund will meet its stated objectives.

A limited number of investments may be held which has the potential to increase the volatility of performance.

The movements of exchange rates may lead to further changes in the value of investments and the income from them.

There is a risk that any company providing services such as safe keeping of assets or acting as counterparty to derivatives may become insolvent, which may cause losses to the Fund.

EVENLODE INCOME, INVESTMENT REVIEW

Performance

	Cumulative returns for the period ended 28 February 2017 (%)			
	1 year	3 years	5 years	From Launch ²
Evenlode Income – B Shares ¹	22.77	41.79	95.33	161.87
Evenlode Income – A Shares ¹	22.16	39.73	90.54	152.46
IA UK All Companies Sector	18.93	16.96	59.13	93.19

¹ Performance based on income shares. ² From 19 October 2009.

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.

The philosopher emperor Marcus Aurelius described the art of living as *more like wrestling than dancing*, a sentiment that could also be applied to navigating investment markets during the twelve months under review. A touch of Roman stoicism was required as investment trends changed sharply from month-to-month. Political uncertainty in the UK, the US and Continental Europe created meaningful event risk, and the global economy remained very patchy. Viewed over the full twelve months, however, it was a positive period for UK investors, helped in part by the pound's weakness following the June 2016 EU referendum.

In the context of this mixed backdrop, dividends and dividend growth from the portfolio have remained reassuringly solid. The fund's full year dividend was increased to 6.65p (B Income shares), a year-on-year increase of +3.6%. The overall environment for dividends remains tough given low rates of economic growth and inflation, but we continue to believe that moderate, sustainable dividend growth is attainable for the high quality businesses on which Evenlode is focused.

Performance Commentary

In terms of total return (i.e. the combined return from dividends and capital performance), Evenlode rose +22.8% over the twelve months to 28 February 2017 compared to a rise of +18.9% for the IA UK All Companies sector (since launch in October 2009 Evenlode has risen +161.9% compared to +93.2% for the IA UK All Companies sector).

The fund's focus on asset-light companies leads to a structural lack of exposure to both energy and mining producers. A strong performance from these sectors therefore created a headwind to Evenlode's relative performance, particularly following the US election in November. However, this trend was more than offset by good, broad-based performance from individual holdings in the fund, with 39 of the 44 positions held during the period posting a positive return. In particular, it was pleasing to see several newer holdings contribute strongly. Examples included RWS Holdings (+64%), Rotork (+59%), Smiths Group (+54%), Page Group (+51%), Spectris (+38%), Burberry (+35%), Aveva (+29%) and Victrex (+26%). These are all high quality companies that have faced tough end markets over the last couple of years, but continue to generate strong cash flow and invest meaningfully in long-term growth.

The other major theme (for both the fund and the broader UK market) was the pound's weakness following the EU referendum. The share prices of many UK companies with overseas earnings benefited, including key holdings such as Unilever (+28%), Diageo (+25%) and Glaxosmithkline (+24%). US listed holdings in Johnson and Johnson, Microsoft and Procter and Gamble also contributed positively to performance.

EVENLODE INCOME, INVESTMENT REVIEW (CONTINUED)

There were two main negative contributors during the year, IG Group and Mitie. IG Group (-28%) was impacted by an FCA announcement that marked a significant change in attitude towards UK spread-betting regulations. IG has been a long-term holding in the fund and its cash generative business model has produced good dividend and capital growth over the years. However, we decided to exit Evenlode's position given the risk these regulatory headwinds present over the medium-term. Mitie (-23%) underperformed as customers reduced discretionary spending following the UK referendum. We reduced the fund's position in Mitie on balance sheet concerns during the period, and have subsequently exited the position since the fund's year end.

Portfolio Changes

Elsewhere in the portfolio, we also exited environmental consultancy RPS Group and education business Pearson during 2016, primarily due to balance sheet concerns.

Four new positions were introduced during the period. The first two – Page Group and EMIS – were initiated for valuation reasons following the EU referendum in summer 2016. Healthcare software business EMIS enjoys a loyal customer base and benefits from a cash generative, subscription-backed business model. It also has a very strong balance sheet. The stock yields a little under 3% and the potential for dividend growth is very good in our view (the latest dividend increase was +10%). Page is a market-leading global recruitment company with good long-term potential thanks to structural growth in the outsourced recruitment market. We like Page's commitment to organic growth, its healthy cash generation and an excellent balance sheet with no debt. We initiated the position on a dividend yield of more than 4%. Page also has a policy of paying special dividends from time to time when excess cash accumulates on the balance sheet.

The second two additions – Novartis and Smith & Nephew - were made in early 2017 and represent a broadening out of Evenlode's healthcare exposure. We continue to like the sector's high barriers to entry, economic resilience and long-term growth potential thanks to both innovation and demographics. Price scrutiny will remain an issue over coming years but in our view innovative companies that help improve patient outcomes and reduce costs for global healthcare systems are well placed. Novartis and Smith & Nephew have strong, diversified franchises and asset-light, cash generative business models. We initiated these positions on starting dividend yields of 3.7% and 2.3% respectively, and view the potential for long-term dividend growth at both companies as attractive.

Outlook 2017

Looking ahead plenty of uncertainties await, not least on the political front: Donald Trump is now US president, there are several important European elections during 2017, and Brexit negotiations will continue. Though the market has begun to anticipate a pick-up in global economic growth and inflation in recent months, structural deflationary pressures remain significant and should not be ignored. In particular, even a small rise in interest rates could cause problems for economic progression given the high stock of global debt.

Turning to valuations, our view has changed little over the last three years or so. Prospects for future returns appear less attractive than they did several years ago (and many stocks that are ostensibly 'cheap' on a price/earnings basis carry significant fundamental risk such as high levels of debt and a lack of cash generation). Valuation management remains a key part of our process, and we continue to nudge the portfolio gently towards those areas of the fund and investable universe where we see the most attractive combination of quality and long-term valuation appeal.

More generally, our aim remains to insulate investors from a wide range of political, economic, valuation and financial risks, rather than make big predictions about the future. Our focus therefore continues to be on asset-light companies with sustainable competitive advantages. These characteristics tend to lead to high and consistent free cash flow generation, which supports dividend payments in good times and bad. Another factor we have been more focused on than ever over the last three years is balance sheet strength, given an overall environment in which many companies have been taking on more debt (making them more vulnerable to negative economic developments and/or interest rate rises).

EVENLODE INCOME, INVESTMENT REVIEW (CONTINUED)

Finally, I'd like to mention the development of the Evenlode team over the last few years. The team now totals eight (including an investment team of four) and it is a pleasure working with this talented and dedicated group of people. We look forward to updating you on Evenlode's progress, and please do get in touch if you have any queries.

Hugh Yarrow
Fund Manager
Wise Investments Limited
2 June 2017

EVENLODE INCOME, PORTFOLIO STATEMENTAs at 28 February 2017

Holding or nominal value of positions	Bid market value £	Percentage of total net assets %	
UK Equities			
(80.9%; 29.02.16 - 82.6%)			
5,229,376	Ashmore	18,616,579	1.5
1,060,418	Astrazeneca	49,245,812	4.0
1,272,463	AVEVA	24,342,217	2.0
1,856,935	Burberry	32,032,129	2.6
2,701,394	Compass	40,439,868	3.3
3,346,657	Daily Mail & General	24,062,464	2.0
4,024,626	Diageo	91,278,518	7.4
2,297,034	EMIS	20,730,732	1.7
1,830,657	Euromoney Institutional Investor	19,880,935	1.6
1,267,842	Fidessa	31,848,191	2.6
3,511,190	GlaxoSmithKline	57,864,411	4.7
6,155,904	Halfords	20,911,606	1.7
1,574,874	IMI	19,528,438	1.6
713,005	Imperial Brands	27,044,280	2.2
4,429,469	Informa	29,743,884	2.4
2,576,209	Jardine Lloyd Thompson	26,534,953	2.2
3,717,497	Mitie	7,676,631	0.6
6,892,546	Pagegroup	29,286,428	2.4
2,432,719	Pay Point	23,719,010	1.9
7,455,831	Pz Cussons	23,799,013	1.9
172,136	Reckitt Benckiser	12,584,863	1.0
947,244	Relx	14,246,550	1.1
10,063,212	Rotork	24,846,070	2.0
2,762,568	RWS	9,130,287	0.7
8,855,818	Sage	57,208,584	4.6
2,013,606	Smith & Nephew	24,384,769	2.0
2,686,717	Smiths	40,139,552	3.3
1,473,723	Spectris	35,781,994	2.9
2,776,283	Unilever	106,026,248	8.6
1,270,396	Victrex	24,277,268	2.0
2,075,001	WS Atkins	30,191,264	2.4
<hr/> 997,403,548		<hr/> 80.9	

EVENLODE INCOME, PORTFOLIO STATEMENT (CONTINUED)

As at 28 February 2017

Holding or nominal value of positions	Bid market value £	Percentage of total net assets %	
US Equities			
(15.3%; 29.02.16 - 14.1%)			
1,111,525	Microsoft Corporation	57,268,246	4.6
480,797	Johnson & Johnson	47,332,327	3.8
583,038	Procter & Gamble	42,760,503	3.5
253,332	Pepsico	22,521,574	1.8
132,782	IBM	19,229,648	1.6
		<hr/> 189,112,298	<hr/> 15.3
Belgian Equities			
(1.1%; 29.02.16 - 1.5%)			
154,586	Anheuser-Busch	13,629,453	1.1
		<hr/> 13,629,453	<hr/> 1.1
Switzerland Equities			
(2.0%; 29.02.16 - 0.0%)			
401,063	Novartis	25,247,582	2.0
		<hr/> 25,247,582	<hr/> 2.0
	Portfolio of investments	1,225,392,881	99.3
	Net other assets	8,186,595	0.7
	Total net assets	<hr/> 1,233,579,476	<hr/> 100.0

All holdings are equities listed on recognised stock exchanges.

EVENLODE INCOME, SUMMARY OF FUND PERFORMANCE

B Income Shares	1 Mar 2016 to 28 Feb 2017	1 Mar 2015 to 29 Feb 2016	1 Mar 2014 to 28 Feb 2015
	(pence per share)	(pence per share)	(pence per share)
Change in net assets per share			
Opening net asset value per share	166.64	170.42	155.78
Return before operating charges*	39.60	4.19	22.42
Operating charges	(1.76)	(1.55)	(1.51)
Return after operating charges*	37.84	2.64	20.91
Distributions on income shares	(6.65)	(6.42)	(6.27)
Closing net asset value per share	197.83	166.64	170.42
* after direct transaction costs of:	0.81	0.55	1.21
Performance			
Return after charges	22.71%	1.55%	13.42%
Other information			
Closing net asset value	£113,761,289	£54,921,690	£230,663,365
Closing number of shares	57,505,111	32,957,388	135,346,122
Operating charges (p.a.)	0.95%	0.95%	0.95%
Direct transaction costs (p.a.)	0.43%	0.32%	0.76%
Prices			
Highest published share price	200.40	177.03	172.43
Lowest published share price	167.29	155.72	147.86

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, SUMMARY OF FUND PERFORMANCE (CONTINUED)

B Accumulation Shares	1 Mar 2016 to 28 Feb 2017	1 Mar 2015 to 29 Feb 2016	1 Mar 2014 to 28 Feb 2015
	(pence per share)	(pence per share)	(pence per share)
Change in net assets per share			
Opening net asset value per share	212.69	209.33	184.21
Return before operating charges*	51.18	5.31	26.96
Operating charges	(2.31)	(1.95)	(1.84)
Return after operating charges*	48.87	3.36	25.12
Closing net asset value per share	261.56	212.69	209.33
Retained distributions on accumulation shares	8.59	7.98	7.50
* after direct transaction costs of:	1.06	0.67	1.46
Performance			
Return after charges	22.98%	1.61%	13.64%
Other information			
Closing net asset value	£148,977,696	£34,579,061	£46,482,840
Closing number of shares	56,956,815	16,257,955	22,205,834
Operating charges (p.a.)	0.95%	0.95%	0.95%
Direct transaction costs (p.a.)	0.43%	0.32%	0.76%
Prices			
Highest published share price	261.25	217.44	208.98
Lowest published share price	214.45	192.80	177.76

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, SUMMARY OF FUND PERFORMANCE (CONTINUED)

A Income Shares	1 Mar 2016 to 28 Feb 2017	1 Mar 2015 to 29 Feb 2016	1 Mar 2014 to 28 Feb 2015
	<small>(pence per share)</small>	<small>(pence per share)</small>	<small>(pence per share)</small>
Change in net assets per share			
Opening net asset value per share	161.50	165.98	152.43
Return before operating charges*	38.28	4.08	21.89
Operating charges	(2.61)	(2.32)	(2.21)
Return after operating charges*	35.67	1.76	19.68
Distributions on income shares	(6.42)	(6.24)	(6.13)
Closing net asset value per share	190.75	161.50	165.98
* after direct transaction costs of:	0.78	0.52	1.18
Performance			
Return after charges	22.09%	1.06%	12.91%
Other information			
Closing net asset value	£1,954,775	£823,584	£570,917
Closing number of shares	1,024,765	509,973	343,964
Operating charges (p.a.)	1.45%	1.45%	1.45%
Direct transaction costs (p.a.)	0.43%	0.32%	0.76%
Prices			
Highest published share price	193.61	172.36	167.93
Lowest published share price	161.89	151.30	144.25

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, SUMMARY OF FUND PERFORMANCE (CONTINUED)

A Accumulation Shares	1 Mar 2016 to 28 Feb 2017	1 Mar 2015 to 29 Feb 2016	1 Mar 2014 to 28 Feb 2015
	(pence per share)	(pence per share)	(pence per share)
Change in net assets per share			
Opening net asset value per share	206.21	203.95	180.30
Return before operating charges*	49.47	5.15	26.28
Operating charges	(3.36)	(2.89)	(2.63)
Return after operating charges*	46.11	2.26	23.65
Closing net asset value per share	252.32	206.21	203.95
Retained distributions on accumulation shares	8.30	7.75	7.33
* after direct transaction costs of:	1.01	0.65	1.41
Performance			
Return after charges	22.36%	1.11%	13.12%
Other information			
Closing net asset value	£2,761,890	£1,427,750	£1,393,195
Closing number of shares	1,094,593	692,375	683,100
Operating charges (p.a.)	1.45%	1.45%	1.45%
Direct transaction costs (p.a.)	0.43%	0.32%	0.76%
Prices			
Highest published share price	252.03	211.79	203.61
Lowest published share price	207.90	187.41	173.48

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, SUMMARY OF FUND PERFORMANCE (CONTINUED)

C Income Shares	1 Mar 2016 to 30 Apr 2015 to¹	
	28 Feb 2017	29 Feb 2016
	(pence per share)	(pence per share)
Change in net assets per share		
Opening net asset value per share	166.78	171.06
Return before operating charges*	39.65	3.33
Operating charges	(1.59)	(1.19)
Return after operating charges*	38.06	2.14
Distributions on income shares	(6.66)	(6.42)
Closing net asset value per share	198.18	166.78
* after direct transaction costs of:	0.81	0.45
Performance		
Return after charges	22.82%	1.25%
Other information		
Closing net asset value	£905,689,875	£248,775,437
Closing number of shares	456,992,457	149,165,443
Operating charges (p.a.)	0.85%	0.85%
Direct transaction costs (p.a.)	0.43%	0.32%
Prices		
Highest published share price	200.69	176.80
Lowest published share price	167.46	155.76

¹ The C Income shares were launched on 30 April 2015.

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, SUMMARY OF FUND PERFORMANCE (CONTINUED)

C Accumulation Shares	1 Mar 2016 to 30 Apr 2015 to¹	
	28 Feb 2017	29 Feb 2016
	<small>(pence per share)</small>	<small>(pence per share)</small>
Change in net assets per share		
Opening net asset value per share	212.86	210.10
Return before operating charges*	51.22	4.24
Operating charges	(2.05)	(1.48)
Return after operating charges*	49.17	2.76
Closing net asset value per share	262.03	212.86
Retained distributions on accumulation shares	8.60	7.98
* after direct transaction costs of:	1.05	0.56
Performance		
Return after charges	23.10%	1.31%
Other information		
Closing net asset value	£60,433,951	£30,355,022
Closing number of shares	23,064,028	14,260,384
Operating charges (p.a.)	0.85%	0.85%
Direct transaction costs (p.a.)	0.43%	0.32%
Prices		
Highest published share price	261.72	217.15
Lowest published share price	214.63	192.85

¹ The C Accumulation shares were launched on 30 April 2015.

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, STATEMENT OF TOTAL RETURNFor the year ended 28 February 2017

	Notes	£	28.02.17 £	29.02.16 £
Income				
Net capital gains/(losses)	2		153,820,423	(1,465,885)
Revenue	3	32,714,113		12,759,180
Expenses	4	(7,769,343)		(2,873,960)
Interest payable and similar charges	6	(3,840)		(578)
Net revenue before taxation		24,940,930		9,884,642
Taxation	5	(528,796)		(229,355)
Net revenue after taxation			24,412,134	9,655,287
Total return before distributions			178,232,557	8,189,402
Distributions	6		(32,191,383)	(12,524,531)
Change in net assets attributable to shareholders from investment			146,041,174	(4,335,129)

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERSFor the year ended 28 February 2017

	Notes	£	28.02.17 £	29.02.16 £
Opening net assets attributable to shareholders			370,882,544	279,110,317
<i>Movements due to sales and repurchases of shares:</i>				
Amounts receivable on issue of shares		907,799,315		340,531,020
Amounts payable on cancellation of shares		(198,742,797)		(246,695,563)
			709,056,518	93,835,457
Dilution levy			1,978,101	-
Change in net assets attributable to shareholders from investment activities			146,041,174	(4,335,129)
Retained distributions on accumulation shares	6		5,621,139	2,271,899
Closing net assets attributable to shareholders			1,233,579,476	370,882,544

EVENLODE INCOME, BALANCE SHEETAs at 28 February 2017

		28.02.17	29.02.16
	Notes	£	£
Assets:			
Fixed Assets:			
Investments		1,225,392,881	364,343,767
Current Assets:			
Debtors	7	14,481,525	3,314,978
Cash and bank balances	8	16,675,210	10,100,176
Total assets		<u>1,256,549,616</u>	<u>377,758,921</u>
Liabilities:			
Creditors:			
Distribution payable on income shares	6	11,892,488	4,062,345
Other creditors	9	11,077,652	2,814,032
Total liabilities		<u>22,970,140</u>	<u>6,876,377</u>
Net assets attributable to shareholders		<u>1,233,579,476</u>	<u>370,882,544</u>

EVENLODE INCOME, NOTES TO THE FINANCIAL STATEMENTS

As at 28 February 2017

1. Accounting policies

(a) Basis of accounting

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with Financial Reporting Standard 102 (FRS 102) and in accordance with the Statement of Recommended Practice (SORP) for Financial Statements of Authorised Funds issued by the Investment Association in May 2014.

As described in the Statement of the Authorised Corporate Director's Responsibilities, the ACD continues to adopt the going concern basis in the preparation of the financial statements of the Fund.

(b) Functional currency

The functional currency used in the financial statements is Pound Sterling.

(c) Recognition of revenue

Dividends on holdings, net of any irrecoverable tax credits, are recognised when the underlying equity is quoted ex-dividend. Bank interest is accounted for on an accruals basis.

(d) Treatment of stock dividends

Stock dividends are credited to the capital account when the stock is quoted ex-dividend. The cash equivalent is then transferred to the revenue account and forms part of the distributable revenue.

The allocation of special dividends is considered on a case-by-case basis.

(e) Treatment of expenses

All expenses, net of any associated tax effect, are charged to the capital account with the exception of bank interest which is charged to the revenue account.

(f) Allocation of revenue and expense to multiple share classes

Any assets or liabilities not attributable to a particular share class will be allocated by the ACD in a manner which is considered fair to shareholders in general, usually pro-rata based on the net asset values of the relevant share classes.

(g) Taxation/deferred taxation

Corporation tax is provided for on taxable revenue, less deductible expenses, at a rate of 20%.

Deferred tax is provided for in respect of all items that have been included in these financial statements, or those of a previous period, that will be included in future periods for taxation purposes, other than those timing differences regarded as permanent. Any liability to deferred tax is provided for at the rate of tax expected to apply.

EVENLODE INCOME, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 28 February 2017

1. Accounting policies (continued)**(h) Distribution policy**

Net revenue produced by the Fund's investments is accrued quarterly. At the end of each period, the revenue, plus an adjustment for expenses allocated to capital, is distributed/accumulated at the discretion of the Investment Manager, as per the prospectus.

(i) Exchange rates

Assets and liabilities in overseas currencies at the year-end are translated into Sterling at the latest available rates of exchange on the balance sheet date.

(j) Basis of valuation of investments

The investments are valued at closing prices on the balance sheet date. If closing prices are not available, the latest available prices are used.

If separate offer and bid prices are quoted for shares or units, then the bid price is used.

If no price or recent available price exists, the investment is valued at a price which, in the opinion of the ACD, reflects the fair value of the asset.

2. Net capital gains/(losses)

	28.02.17	29.02.16
	£	£
Non-derivative securities	135,803,842	(6,247,217)
Currency gains	18,016,581	4,783,740
Transaction charges	-	(2,408)
Net capital gains/(losses)	<u>153,820,423</u>	<u>(1,465,885)</u>

3. Revenue

	28.02.17	29.02.16
	£	£
UK franked dividends	28,640,022	11,020,452
Overseas dividends	4,087,394	1,738,728
Unfranked income currency losses	(13,303)	-
Total revenue	<u>32,714,113</u>	<u>12,759,180</u>

EVENLODE INCOME, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 28 February 2017

4. Expenses

	28.02.17	29.02.16
	£	£
Payable to the ACD, associates of the ACD and agents of either:		
Annual management charge	7,769,343	2,851,927
Registration fees	-	547
Administration fees	-	1,600
	<u>7,769,343</u>	<u>2,854,074</u>
Payable to the Depositary, associates of the Depositary and agents of either:		
Depositary's fees	-	11,760
Safe custody fees	-	8,090
	-	<u>19,850</u>
Other expenses:		
FCA fee	-	36
	-	<u>36</u>
Total expenses	<u>7,769,343</u>	<u>2,873,960</u>

Please note that the audit fee of £6,480 (29 February 2016: £6,480) and the fee for tax compliance services of £2,280 (29 February 2016: £2,280) are paid by the Investment Manager.

EVENLODE INCOME, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 28 February 2017

5. Taxation**(a) Analysis of the charge in the year**

	28.02.17	29.02.16
	£	£
Analysis of charge in the year		
Overseas tax	<u>528,796</u>	<u>229,355</u>
Total current tax for the year (see note 5(b))	<u>528,796</u>	<u>229,355</u>
Deferred tax (see note 5(c))	<u>-</u>	<u>-</u>
Total taxation for the year	<u>528,796</u>	<u>229,355</u>

(b) Factors affecting the current taxation charge for the year

The taxation assessed for the year is lower than the standard rate of corporation tax in the UK for an authorised Open-Ended Investment Company (20%). The differences are explained below:

	28.02.17	29.02.16
	£	£
Net revenue before taxation	<u>24,940,930</u>	<u>9,884,642</u>
Corporation tax at 20%	4,988,186	1,976,928
Effects of:		
Revenue not subject to taxation	(6,545,483)	(2,551,836)
Excess expenses for which no relief taken	1,557,297	574,908
Overseas taxation	<u>528,796</u>	<u>229,355</u>
Current tax charge for the year (see note 5(a))	<u>528,796</u>	<u>229,355</u>

(c) Provision for deferred tax

At the 28 February 2017 the Fund had surplus management expenses of £13,092,623 (29 February 2016: £5,306,137). The deferred tax asset in respect of this would be £2,618,525 (29 February 2016: £1,061,228). It is unlikely that the fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised at the period end (see note 5(a)).

EVENLODE INCOME, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 28 February 2017

6. Distributions

The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	28.02.17	29.02.16
	£	£
Interim - Income (31 May)	4,781,449	2,062,928
Interim - Income (31 Aug)	6,588,253	2,231,400
Interim - Income (30 Nov)	7,136,771	2,485,551
Final - Income (28 Feb)	<u>11,892,488</u>	<u>4,062,345</u>
	30,398,961	10,842,224
Interim - Accumulation (31 May)	663,872	405,490
Interim - Accumulation (31 Aug)	1,109,735	448,115
Interim - Accumulation (30 Nov)	1,411,134	546,221
Final - Accumulation (28 Feb)	<u>2,436,398</u>	<u>872,073</u>
	5,621,139	2,271,899
Add: Revenue deducted on cancellation of shares	1,292,248	1,725,632
Deduct: Revenue received on issue of shares	<u>(5,120,965)</u>	<u>(2,315,224)</u>
Net distribution for the year	<u>32,191,383</u>	<u>12,524,531</u>
Interest	<u>3,840</u>	<u>578</u>
Total finance costs	<u>32,195,223</u>	<u>12,525,109</u>
Reconciliation to net distribution for the year		
Net revenue after taxation for the year	24,412,134	9,655,287
Expenses allocated to capital, net of tax relief	7,769,343	2,873,962
Realised income currency gains/(losses)	<u>9,906</u>	<u>(4,718)</u>
Net distribution for the year	<u>32,191,383</u>	<u>12,524,531</u>

Details of the distribution per share are set out on pages 97 to 100.

EVENLODE INCOME, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 28 February 2017

7. Debtors

	28.02.17	29.02.16
	£	£
Amounts receivable for issue of shares	6,062,700	748,139
Sales awaiting settlement	1,864,287	-
Accrued revenue	6,427,372	2,487,612
Income tax recoverable	127,166	79,227
Total debtors	<u>14,481,525</u>	<u>3,314,978</u>

8. Cash and bank balances

	28.02.17	29.02.16
	£	£
Cash and bank balances	<u>16,675,210</u>	<u>10,100,176</u>
Total cash and bank balances	<u>16,675,210</u>	<u>10,100,176</u>

9. Other creditors

	28.02.17	29.02.16
	£	£
Amounts payable for cancellation of shares	1,480,705	1,896,552
Purchases awaiting settlement	8,758,013	637,390
Accrued annual management charge	838,934	280,090
Total creditors	<u>11,077,652</u>	<u>2,814,032</u>

10. Related party transactions

The ACD is regarded as a related party of the Fund. The ACD acts as either agent or principal for the Depositary in respect of all transactions in the Fund's shares. The aggregate monies received through issue and paid on cancellation are disclosed in the statement of change in net assets attributable to shareholders.

As at the balance sheet date the T. Bailey Fund Services Defined Contribution Pension Scheme held 72,162 shares in the Evenlode Income Fund. There were no other shares held by the ACD, the Depositary or associates of either the ACD or the Depositary.

As at the balance sheet date there was one shareholder that held 46.4% of the Fund's total net asset value.

Details of transactions occurring during the accounting period with the ACD and the Depositary, and any balances due at the year end, are fully disclosed in notes 4 and 9 of the financial statements.

EVENLODE INCOME, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 28 February 2017

11. Share classes

As at the balance sheet date the Fund had six share classes. The following table shows a breakdown of the change in shares in issue of each share class in the period:

	B Income
Opening shares at the start of the period	32,957,388.280
Total creation of shares in the period	46,867,024.821
Total cancellation of shares in the period	<u>(22,319,302.504)</u>
Closing shares at the end of the period	<u>57,505,110.597</u>
	A Income
Opening shares at the start of the period	509,973.495
Total creation of shares in the period	720,350.786
Total cancellation of shares in the period	<u>(205,559.004)</u>
Closing shares at the end of the period	<u>1,024,765.277</u>
	C Income
Opening shares at the start of the period	149,165,442.736
Total creation of shares in the period	357,036,159.324
Total cancellation of shares in the period	<u>(49,209,145.298)</u>
Closing shares at the end of the period	<u>456,992,456.762</u>
	B Accumulation
Opening shares at the start of the period	16,257,954.768
Total creation of shares in the period	53,799,348.041
Total cancellation of shares in the period	<u>(13,100,487.984)</u>
Closing shares at the end of the period	<u>56,956,814.825</u>
	A Accumulation
Opening shares at the start of the period	692,374.875
Total creation of shares in the period	912,157.073
Total cancellation of shares in the period	<u>(509,938.699)</u>
Closing shares at the end of the period	<u>1,094,593.249</u>
	C Accumulation
Opening shares at the start of the period	14,260,384.479
Total creation of shares in the period	21,037,052.557
Total cancellation of shares in the period	<u>(12,233,408.796)</u>
Closing shares at the end of the period	<u>23,064,028.240</u>

EVENLODE INCOME, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 28 February 2017

11. Share classes (continued)

As at the year end the annual management charge of each share class was as follows:

Evenlode Income – B Accumulation shares	0.95% p.a.
Evenlode Income – A Accumulation shares	1.45% p.a.
Evenlode Income – C Accumulation shares	0.85% p.a.
Evenlode Income – B Income shares	0.95% p.a.
Evenlode Income – A Income shares	1.45% p.a.
Evenlode Income – C Income shares	0.85% p.a.

The net asset value of each share class, the net asset value per share, and the number of shares in each share class are given in the Summary of Fund Performance tables on pages 77 to 82. The distributions per share class are given in the distribution tables on pages 97 to 100. Income, and the associated tax, which is not attributable to a particular share class is allocated by the ACD in a manner which is considered fair to shareholders in general, usually pro-rata based on the net asset values of the share classes. All classes have the same rights on winding up.

12. Risk management policies

In pursuing the investment objectives financial instruments are held which may expose the Fund to various types of risk. The main risks inherent in the investment portfolios, and the ACD's policies for managing these risks, which were applied consistently throughout the period, are set out below:

(a) Currency exposures

The Fund's financial assets are mainly invested in equities whose prices are generally quoted in Sterling. The Fund may also invest in other equities whose prices are quoted in other currencies. This gives rise to a direct currency exposure, details of which are shown in the following table.

	Net foreign currency assets at 28 February 2017			Net foreign currency assets at 29 February 2016		
	Monetary exposures	Non- monetary exposures	Total	Monetary exposures	Non- monetary exposures	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Euro	-	13,756	13,756	-	5,552	5,552
Swiss Franc	-	25,248	25,248	-	8	8
US Dollar	-	189,805	189,805	-	52,621	52,621

There are no specific policies employed to manage the currency exposure but the exposure will tend to be a relatively small percentage of the total net asset value of the Fund (28 Feb 2017: 18.4%, 29 Feb 2016: 15.7%)

If GBP to foreign currency exchange rates had strengthened by 10% as at the balance sheet date, the net asset value of the fund would have decreased by £20,726,303 (29 February 2016: £5,259,280). If GBP to foreign currency exchange rates had weakened by 10% as at the balance sheet date, the net asset value of the fund would have increased by £25,332,148 (29 February 2016: £6,428,009). These calculations assume all other variables remain constant.

EVENLODE INCOME, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 28 February 2017

12. Risk management policies (continued)**(b) Cash flow risk and interest rate risk profile of financial assets and liabilities**

The Fund's revenue is mainly received from holdings in equities. The Fund does not have any long term financial liabilities. The Fund is affected by the impact of movements in interest rates on its own cash balances. The direct exposure to interest rate risk as at the balance sheet date is shown in the following table:

	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Floating rate financial liabilities £'000	Financial not carrying interest £'000	Total £'000
28.02.17						
Euro	-	-	13,756	-	-	13,756
Sterling	16,675	-	1,011,065	-	(22,970)	1,004,770
Swiss Franc	-	-	25,248	-	-	25,248
US Dollar	-	-	189,805	-	-	189,805
29.02.16						
Euro	-	-	5,552	-	-	5,552
Sterling	10,100	-	309,478	-	(6,876)	312,702
Swiss Franc	-	-	8	-	-	8
US Dollar	-	-	52,621	-	-	52,621

Short term debtors and creditors are included as financial assets and liabilities not carrying interest in the above table.

The floating rate financial assets and liabilities comprise: Sterling denominated bank account balances that bear interest at the Bank of England base rate less 75 basis points (to a minimum of NIL) and overdrafts that bear interest at the Bank of England base rate plus 100 basis points. Financial assets and liabilities not carrying interest mainly comprise investments that do not have a maturity date.

Cash flow risk and interest rate risk is managed by only holding cash at reputable financial institutions.

Changes in interest rates would have no material impact to the valuation of floating rate financial assets or liabilities as at the balance sheet date. Consequently, no sensitivity analysis has been presented.

(c) Liquidity risk

All of the Fund's financial assets are considered to be readily realisable. Where investments cannot be realised in time to meet any potential liability, the Fund may borrow up to 10% of its value to ensure settlement. All of the Fund's financial liabilities are payable on demand or in less than one year.

EVENLODE INCOME, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 28 February 2017

12. Risk management policies (continued)**(d) Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. This includes counterparty and issuer risk. Cash is held with reputable credit institutions and credit risk is assessed on a regular basis.

Certain transactions in securities that the Fund enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Fund has fulfilled its obligations. The Fund only buys and sells investments through brokers which have been approved by the ACD as an acceptable counterparty and these are reviewed on an ongoing basis.

(e) Market price risk

The Fund's investments are equities quoted on recognised stock exchanges. The value of shares is not fixed and may go down as well as up. This may be the result of a specific factor affecting the value of an individual share held within an equity or be caused by general market factors (such as government policy or the health of the underlying economy) which can affect the entire portfolio.

The Investment Manager seeks to minimise these risks by holding diversified portfolios of equities in line with the investment objectives. In addition, the management of the Fund complies with the Financial Conduct Authority's Collective Investment Schemes sourcebook, which includes rules prohibiting a holding greater than 20% of the assets of the Fund in any one investment.

If the value of shares/units in the underlying investments were to increase or decrease by 10% the change in the net asset value of the Fund would be £122,539,288 (29 February 2016: £36,434,377). This calculation assumes all other variables remain constant.

(f) Fair value of financial assets and liabilities

Valuation technique	INVESTMENT ASSETS	
	28 February	29 February
	2017	2016
	£	£
Quoted prices for identical instruments in active markets	1,225,392,881	364,343,767
Prices of recent transactions for identical instruments	-	-
Valuation techniques using observable market data	-	-
Valuation techniques using non-observable data	-	-
	<u>1,225,392,881</u>	<u>364,343,767</u>

As at the year-end there were no investment liabilities (29 February 2016: £nil). There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

(g) Commitments on derivatives

No derivatives were held at the balance sheet date (29 February 2016: £nil).

EVENLODE INCOME, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

 As at 28 February 2017

13. Transaction costs
(a) Direct transaction costs

Direct transaction costs include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties incurred when purchasing and selling the underlying securities. A breakdown of the purchases and sales, and the related direct transaction costs incurred by the Fund in the period are shown in the table below:

	28.02.17		29.02.16	
	£		£	
Analysis of total purchase costs				
PURCHASES				
Equities	<u>820,040,832</u>		<u>180,770,467</u>	
Net purchases before direct transaction costs	820,040,832		180,770,467	
		% of total purchases		% of total purchases
DIRECT TRANSACTION COSTS				
Equities	<u>3,828,521</u>	<u>0.46%</u>	<u>968,252</u>	<u>0.53%</u>
Total direct transaction costs	3,828,521	0.46%	968,252	0.53%
Gross purchases total	<u>823,869,353</u>		<u>181,738,719</u>	
Analysis of total sale costs				
SALES				
Equities	<u>115,555,189</u>		<u>83,634,757</u>	
Gross sales before direct transaction costs	115,555,189		83,634,757	
		% of total sales		% of total sales
DIRECT TRANSACTION COSTS				
Equities	<u>(54,634)</u>	<u>0.05%</u>	<u>(86,258)</u>	<u>0.10%</u>
Total direct transaction costs	(54,634)	0.05%	(86,258)	0.10%
Net sales total	<u>115,500,555</u>		<u>83,548,499</u>	
	28.02.17	% of	29.02.16	% of
	£	ave NAV	£	ave NAV
Analysis of total direct transaction costs				
Equities	<u>3,883,155</u>	<u>0.43%</u>	<u>1,054,510</u>	<u>0.32%</u>
Total direct transaction costs	<u>3,883,155</u>	<u>0.43%</u>	<u>1,054,510</u>	<u>0.32%</u>

EVENLODE INCOME, NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 28 February 2017

13. Transaction costs (continued)

(b) Average portfolio dealing spread

The average portfolio dealing spread of the investments at the balance sheet date was 0.10% (29 February 2016: 0.14%). This is calculated as the difference between the offer and bid value of the portfolio as a percentage of the offer value.

14. Capital commitments and contingent liabilities

The Fund had no capital commitments or contingent liabilities at the balance sheet date (29 February 2016: £nil)

15. Post balance sheet events

Subsequent to the year end, the net asset value per share of the B Accumulation shares has increased from 261.56p to 274.54p as at 24 May 2017. This movement takes into account routine transactions but also reflects the market movements of recent months. There are no post balance sheet events which require adjustments at the year end.

EVENLODE INCOME, DISTRIBUTION TABLEFor the year ended 28 February 2017

Interim Distribution (31 May 2016)

Group 1 - Shares purchased on or prior to 29 February 2016

Group 2 - Shares purchased after 29 February 2016

Shares	Revenue	Equalisation¹	Paid/Accumulated	Paid/Accumulated
	(pence)	(pence)	31.07.16	31.07.15
			(pence)	(pence)
B Income				
Group 1	1.4500	-	1.4500	1.3970
Group 2	0.6535	0.7965	1.4500	1.3970
A Income				
Group 1	1.4431	-	1.4431	1.3600
Group 2	1.1638	0.2793	1.4431	1.3600
C Income				
Group 1	1.4509	-	1.4509	1.3970
Group 2	0.4142	1.0367	1.4509	1.3970
B Accumulation				
Group 1	1.8502	-	1.8502	1.7159
Group 2	0.9074	0.9428	1.8502	1.7159
A Accumulation				
Group 1	1.8418	-	1.8418	1.6711
Group 2	1.1918	0.6500	1.8418	1.6711
C Accumulation				
Group 1	1.8518	-	1.8518	1.7159
Group 2	0.2468	1.6050	1.8518	1.7159

¹ Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes

EVENLODE INCOME, DISTRIBUTION TABLE (CONTINUED)

For the year ended 28 February 2017

Interim Distribution (31 August 2016)

Group 1 - Shares purchased on or prior to 31 May 2016

Group 2 - Shares purchased after 31 May 2016

Shares	Revenue	Equalisation¹	Paid/Accumulated	Paid/Accumulated
	(pence)	(pence)	31.10.16	31.10.15
			(pence)	(pence)
B Income				
Group 1	1.4500	-	1.4500	1.3986
Group 2	0.2416	1.2084	1.4500	1.3986
A Income				
Group 1	1.3578	-	1.3578	1.3600
Group 2	0.1245	1.2333	1.3578	1.3600
C Income				
Group 1	1.4515	-	1.4515	1.3987
Group 2	0.8425	0.6090	1.4515	1.3987
B Accumulation				
Group 1	1.8626	-	1.8626	1.7275
Group 2	0.3309	1.5317	1.8626	1.7275
A Accumulation				
Group 1	1.7529	-	1.7529	1.6805
Group 2	0.2264	1.5265	1.7529	1.6805
C Accumulation				
Group 1	1.8650	-	1.8650	1.7275
Group 2	0.5934	1.2716	1.8650	1.7275

¹ Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

EVENLODE INCOME, DISTRIBUTION TABLE (CONTINUED)

For the year ended 28 February 2017

Interim Distribution (30 November 2016)

Group 1 - Shares purchased on or prior to 31 August 2016

Group 2 - Shares purchased after 31 August 2016

Shares	Revenue (pence)	Equalisation ¹ (pence)	Paid/Accumulated	Paid/Accumulated
			31.01.17 (pence)	31.01.16 (pence)
B Income				
Group 1	1.4500	-	1.4500	1.4000
Group 2	0.1726	1.2774	1.4500	1.4000
A Income				
Group 1	1.4000	-	1.4000	1.3600
Group 2	0.0228	1.3772	1.4000	1.3600
C Income				
Group 1	1.4517	-	1.4517	1.4005
Group 2	0.1057	1.3460	1.4517	1.4005
B Accumulation				
Group 1	1.8719	-	1.8719	1.7407
Group 2	0.1059	1.7660	1.8719	1.7407
A Accumulation				
Group 1	1.8088	-	1.8088	1.6917
Group 2	0.2225	1.5863	1.8088	1.6917
C Accumulation				
Group 1	1.8746	-	1.8746	1.7406
Group 2	0.3316	1.5430	1.8746	1.7406

¹ Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

EVENLODE INCOME, DISTRIBUTION TABLE (CONTINUED)For the year ended 28 February 2017

Final Distribution (28 February 2017)

Group 1 - Shares purchased on or prior to 30 November 2016

Group 2 - Shares purchased after 30 November 2016

Shares	Revenue	Equalisation¹	Paid/Accumulated	Paid/Accumulated
	(pence)	(pence)	30.04.17	30.04.16
			(pence)	(pence)
B Income				
Group 1	2.3030	-	2.3030	2.2232
Group 2	1.1758	1.1272	2.3030	2.2232
A Income				
Group 1	2.2220	-	2.2220	2.1558
Group 2	1.2779	0.9441	2.2220	2.1558
C Income				
Group 1	2.3075	-	2.3075	2.2247
Group 2	1.2180	1.0895	2.3075	2.2247
B Accumulation				
Group 1	3.0031	-	3.0031	2.7951
Group 2	1.5939	1.4092	3.0031	2.7951
A Accumulation				
Group 1	2.8991	-	2.8991	2.7115
Group 2	1.6237	1.2754	2.8991	2.7115
C Accumulation				
Group 1	3.0097	-	3.0097	2.7970
Group 2	1.6597	1.3500	3.0097	2.7970

¹ Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

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