



**WAY Fund Managers Limited**

**EFA James Brearley  
Balanced Managed Trust**

Interim Report and Unaudited Financial Statements  
for the accounting period ended 30th November 2009

Issue date 29th January 2010

# EFA JAMES BREARLEY BALANCED MANAGED TRUST

Manager's Report and Accounts  
for the period ended 30th November 2009

<b>Contents</b>	<b>Page</b>
Management and Professional Service Details	2
Report of the Investment Adviser	3
Performance Record	7
Authorised Status	9
Directors' Statement	9
Portfolio Statement	10
Statement of Total Return	12
Statement of Change in Unitholders' Net Assets	12
Balance Sheet	13
Distribution Tables	14
General Information	15

# **EFA JAMES BREARLEY BALANCED MANAGED TRUST**

## **Manager**

WAY Fund Managers Limited  
Cedar House  
3 Cedar Park  
Cobham Road  
Wimborne  
Dorset BH21 7SB  
Telephone: 01202 855 856

## **Directors of the Manager**

P Wilcox (Chairman)  
P Legg  
V Hoare  
A Stevens

## **Trustee**

State Street Trustees Limited  
20 Churchill Place  
Canary Wharf  
London E14 5HJ

## **Independent Auditor**

Grant Thornton UK LLP  
30 Finsbury Square  
London EC2P 2YU

## **Investment Adviser**

James Brearley & Sons Limited  
Walpole House  
Unit 2, Burton Road  
Blackpool  
Lancashire FY4 4WX

## **Registrar**

WAY Fund Managers Limited  
Cedar House  
3 Cedar Park  
Cobham Road  
Wimborne  
Dorset BH21 7SB

# REPORT OF THE INVESTMENT ADVISER

(unaudited) for the period ended 30th November 2009

## Investment Objective and Policy

The objective of the Trust is to provide growth in both capital and income over the medium term, through investment in a diversified portfolio of investment trusts and collective investment schemes.

Subject to the requirements of the Regulations, there will be no restriction on the underlying content of the investments held, in terms of investment type, geographical or economic sector, meaning that the investment adviser has the absolute discretion to weight the portfolio towards any investment type or sector at any time.

The portfolio will be actively managed and normally remain fully invested save for such operational liquidity as is required from time to time. Derivatives and hedging transactions will be used where appropriate, and borrowing will be permitted on a temporary basis under the terms of the Regulations. The use of derivative transactions will not materially affect the risk profile of the Trust.

## Performance of the Fund (Six month period to 30th November, 2009)

	6 Months	12 Months	2 years	3 Years	Since Launch 01/06/2005*
	%	%	%	%	%
EFA James Brearley Balanced Managed Trust	14.29%	20.11%	-6.19%	-3.16%	6.39%
IMA Cautious Managed Sector Average	12.55%	18.13%	-3.21%	-1.43%	13.07%

\* Launched 1<sup>st</sup> June 2005

Discrete Performance	YTD	2008	2007	2006	2005
EFA James Brearley Balanced Managed Trust	16.63%	-20.13%	2.08%	8.83%	2.81%

Source: Lipper Hindsight. Total Return in Sterling.

## Income:

01/12/2008	1.0096p per unit UK Net, paid 31/01/09
01/06/2009	0.9743p per unit UK Net, paid 31/07/09

## Economic Review and Investment Context.

The FTSE 100 Index rose by 17.5% in the six months to the end of November as the market rally gathered momentum. From its March low of 3512 the Index has risen by 48% as fears of a collapse in financial markets abated and liquidity returned following concerted measures by monetary authorities around the world.

## **REPORT OF THE INVESTMENT ADVISER**

(unaudited) for the period ended 30th November 2009 - continued

Equity markets globally have reacted in a similar fashion, led by the emerging markets of Russia, China, Brazil and India as the view of a changing world economic order gathered acceptance. This has brought about increasing capital flows into those economies, thereby placing increasing pressure on their currencies and forcing some to place capital controls on their currencies.

Economic indicators in developed markets have continued to improve over the period as the US and European markets, with the notable exception of the United Kingdom, finally exited from recession following the publication of third quarter GDP figures. The de-stocking of inventories by manufacturers has come to an end for the time being and new orders have begun to replenish empty shelves. The credit crunch has started to ease as measures to help the banks have started to show some results with more companies able to refinance their borrowing requirements, albeit at much higher costs. For UK consumers, mortgage availability has increased which has led to an increase in transactions and the housing market has continued to rise during the period. However, in the face of rising unemployment in the UK strong doubts remain as to the sustainability of the recent upturn and the risk appetite of both lenders and consumers.

Interest rates across the developed world have remained at historically low levels for most of the year, while quantitative easing has been underway for sometime in both the UK and US. The Bank of England's Monetary Policy Committee last cut interest rates by 0.5% to 0.5% in March and extended its quantitative easing programme in August by a further £50bn to £175bn and by a further £25bn in November. In the US, the Federal Reserve Open Market Committee has maintained its target range for the federal funds rate at 0% to 0.25% in a continuing attempt to rebuild liquidity in the financial system.

The market rally has been led by cyclical stocks that had previously underperformed from the market's highs of 2007. So called defensive stocks have been left behind since the start of the rally, leading to a rather polarised market. On the one hand we find a large number of stocks which have performed heroically and are now priced on rather ambitious earnings and book multiples on the expectation of a sustainable recovery. On the other hand we find some highly attractive stocks in the more defensive sectors trading on attractive valuations with significant and sustainable dividend yields.

It is important as always to remember that equity markets act as a discounting mechanism reflecting expectations of future cash flows of individual companies and the economy as an aggregate. This may at times create an apparent disconnect from events in the real economy. Recent rises in asset prices have led to an increased conviction by some of a sustainable recovery in world markets. Concerns remain however about the speed and path of the recovery given the continued high levels of household, corporate and national debt and the expectations of sustainable rises in earnings that have yet to materialise. Following a significant rise some weakness may be expected in the near future.

## **REPORT OF THE INVESTMENT ADVISER**

(unaudited) for the period ended 30th November 2009 - continued

Government bond yields have been volatile, with concerns about high levels of issuance and loose monetary policy tending to push yields higher, while current weak levels of activity and low interest rates have held them down. The resulting stalemate has seen yields fall in the US, Europe and the UK. Credit spreads have continued to decline, particularly for lower grade credit, as more normal operations have been restored to corporate bond markets. With short-term interest rates in the major economic regions at or below 1% amid signs of their economies resuming growth, debate continues over the timing and pace of any reversal of current loose policy settings. Most major central banks continue to emphasise that they envisage a prolonged period of low rates since the credit system remains weak, whilst remaining focused on the threat to growth, rather than that of higher inflation.

The Trust had previously been positioned for recovery in corporate bond markets. We increased our exposure further in July by the purchase of the Baillie Gifford Corporate Bond Fund. Its portfolio composition was heavily weighted towards banks and other financial institutions, which could have been viewed with some trepidation if the investments had been in the companies' equities. However, it became clear - post Lehman - that Western governments were not going to allow a collapse of their financial infrastructures, and that the funding the banks obtained from bond issuance was an essential part of keeping them functioning. The acquisition was achieved by reducing the weighting to conventional Gilts by selling down the holding in the Allianz PIMCO Gilt Yield Trust, an action we repeated in early November. Following these changes the Trust held almost 30% in corporate credit.

Equities made further gains in November, building on the rises in asset markets during the summer and autumn, although there was some profit taking towards the period end, in response to uncertainty over possible default on construction loans in Dubai. Economic and earnings news remained broadly supportive of recovery hopes, providing some upside impetus, to offset the seasonal tendency to lock in gains for the year. In the six-month period under review, global equity markets collectively rose 14.9% in local currency and 17.1% in sterling terms. Hopes that the worst of the global financial crisis had already been seen were also the main driver behind UK equities during the period. The stronger tone on Wall Street provided a supportive environment for the London market from the outset, with sentiment further buoyed by encouraging domestic economic data, particularly a pronounced revival in mortgage approvals. Meanwhile the MPC underlined its determination to avoid deflation by twice extending its asset purchase programme by £50 billion. The FTSE 100 Index rose 17.5%, with mid cap and smaller stocks doing slightly better, up 17.8% and 20.4% respectively.

## REPORT OF THE INVESTMENT ADVISER

(unaudited) for the period ended 30th November 2009 - continued

It was in both these latter sectors that we decided to take some profits in September, especially as at this time fresh doubts emerged as to the strength and durability of the upturn. We sold the Trust's holding in the Mercantile Investment Trust which invests solely in FTSE 250 Index companies and the River & Mercantile Smaller Companies Fund. The proceeds from both these sales were retained on deposit. In overseas markets further upside surprises in economic data releases saw the rally continuing in August with the Federal Reserve adding to the mood of optimism by emphasising interest rates were likely to remain exceptionally low for a prolonged period. Further gains extended into September as investors' appetite for risk continued to build helped by high levels of liquidity. In Europe equity markets also enjoyed substantial gains despite ongoing fears that the ECB was "behind the curve" thanks to its reluctance to embrace quantitative easing. The only change made in this area of the Fund's equity holdings was a small reduction in the US by way of a partial sale of Franklin Mutual Shares. This left the Trust with an equity exposure of 58.06% at the end of the reporting period.

December 2009

James Brearley & Sons Limited  
Investment Adviser to the Fund

## PERFORMANCE RECORD

### Trust Size

Date	Net asset value (£)	Net asset value	No. of units
		pence per unit	in issue
		Income	Income
31st May 2007	3,680,585	114.53	3,213,732
31st May 2008	3,162,919	106.72	2,963,680
31st May 2009	2,440,874	87.71	2,782,992
30th November 2009	2,547,641	99.55	2,559,087

### Unit Price Range

Calendar year	Income Units	
	Highest Offer (pence)	Lowest Bid (pence)
2006	117.10	101.10
2007	122.20	110.40
2008	117.72	81.45
2009*	107.68	82.38

### Other Relevant Prices

Date		Income Units	
		Offer Price (pence)	Bid Price (pence)
1st June 2005	Launch Date	100.00	100.00
30th November 2009	Accounts	106.04	100.28
8th January 2010	Latest Date	109.01	102.91

### Net Income Distribution

Calendar Year	Income Units	
	Pence per unit	Per £1,000 invested at 01/06/2005
		£
2005*	0.3249	3.25
2006	0.5498	5.50
2007	1.5739	15.74
2008	2.1714	21.71
2009**	1.8327	18.33

\*1st June 2005 to 31st December 2005

\*\*1st January to 30th November 2009

## **PERFORMANCE RECORD - continued**

### **Total Expense Ratio (TER)**

The TER of the Trust as at 31st May 2009 was 2.93% (31st May 2008: 2.68%).

### **Portfolio Turnover Rate (PTR)**

The PTR is a ratio that reflects the volume of trading within the sub-fund over the course of a twelve month period. The PTR is calculated by taking the sum of all transaction in securities less the sum of all transactions in the sub-fund's shares and is expressed as a percentage of the sub-fund's average net asset value.

The PTR of the Trust was 3.44% for the accounting period ending 30th November 2009 (31st May 2009: 64.68%).

**Authorised Status**

EFA James Brearley Balanced Managed Trust is an Authorised Unit Trust Scheme as defined in Section 243 of the Financial Services and Markets Act 2000, and is a UCITS Scheme within the meaning of the Financial Services Authority's Collective Investment Schemes sourcebook ("COLL").

**Directors' Statement**

The financial statements on pages 10 to 14 were approved by the Manager and signed on its behalf by:

A Stevens (Director)

V Hoare (Director)

WAY Fund Managers Limited

29th January 2010

# PORTFOLIO STATEMENT

(unaudited) as at 30th November 2009

Holding	Market Value £	Percentage of total net assets %
<b>Equity Funds 58.06% (58.21%)</b>		
<b>Continental Europe 5.46% (4.96%)</b>		
86,607 Ignis Argonaut European Income 'A' (Inc)	88,608	3.48
50,000 Schroder European Alpha Plus 'A' (Acc)	50,350	1.98
	<b>138,958</b>	<b>5.46</b>
<b>Far East 2.49% (2.25%)</b>		
23,126 First State Asia Pacific Leaders 'A' (Acc)	<b>63,332</b>	<b>2.49</b>
<b>United Kingdom 38.91% (40.18%)</b>		
56,794 Artemis Income (Inc)	83,670	3.28
4,709 BlackRock UK Special Situations (Acc)	83,681	3.28
7,672 Invesco Perpetual Income (Inc)	84,504	3.32
140,000 JO Hambro UK Opportunities (Acc)	176,379	6.92
200,000 Jupiter UK Special Situations (Inc)	185,119	7.26
60,000 M&G Security Recovery 'A' (Acc)	128,352	5.04
14,960 Schroder Income 'A' (Inc)	111,305	4.37
167,630 Standard Life UK Equity High Income 'Institutional' (Inc)	110,435	4.33
45,569 Standard Life UK Equity High Income 'Retail' (Inc)	28,376	1.11
	<b>991,821</b>	<b>38.91</b>
<b>United States 11.20% (10.82%)</b>		
80,000 Baillie Gifford American 'B' (Acc)	126,000	4.95
30,000 Baillie Gifford American 'B' (Inc)	45,270	1.78
22,018 Franklin Templeton Mutual 'A' (Acc)	21,565	0.85
90,001 Franklin Templeton Mutual 'I' (Acc)	92,143	3.62
	<b>284,978</b>	<b>11.20</b>
<b>Total Equity Funds</b>	<b>1,479,089</b>	<b>58.06</b>

## PORTFOLIO STATEMENT

(unaudited) as at 30th November 2009 - continued

Holding	Market Value £	Percentage of total net assets %
<b>Fixed Interest Funds 40.69% (39.21%)</b>		
<b>Global 5.81% (5.49%)</b>		
17,999 Thames River High Income	<b>147,951</b>	<b>5.81</b>
<b>United Kingdom 34.88% (33.72%)</b>		
70,000 Allianz PIMCO Gilt Yield 'C' (Inc)	103,362	4.06
352,776 Artemis Strategic Bond (Inc)	165,417	6.49
140,000 Baillie Gifford Corporate Bond 'B' (Inc)	86,758	3.41
150,000 Invesco Perpetual Corporate Bond (Inc)	118,005	4.63
198,314 Legal & General All Stocks Index Linked Gilt Index (Inc)	128,488	5.04
244,500 M&G Corporate Bond 'A' (Inc)	80,074	3.14
120,345 Royal London Corporate Bond (Inc)	96,589	3.79
251,957 Schroder Strategic Bond (Inc)	110,105	4.32
	<b>888,798</b>	<b>34.88</b>
<b>Total Fixed Interest Funds</b>	<b>1,036,749</b>	<b>40.69</b>
<b>Market Value of Investments 98.75% (97.42%)</b>		
	<b>2,515,838</b>	<b>98.75</b>
Net other assets	31,803	1.25
<b>Total Net assets</b>	<b>2,547,641</b>	<b>100.00</b>

Note: Comparative figures shown in brackets relate to 31st May 2009.

Asset Class	£	%
Equity Funds	1,479,089	58.79
Fixed Interest Funds	1,036,749	41.21
	<b>2,515,838</b>	<b>100.00</b>

## STATEMENT OF TOTAL RETURN

(unaudited) for the period ended 30th November 2009

	2009		2008	
	£'000	£'000	£'000	£'000
Income				
Net capital gains(losses)		342		(662)
Revenue	43		54	
Expenses	(27)		(30)	
Finance costs: Interest	-		-	
Net revenue before taxation	<u>16</u>		<u>24</u>	
Taxation	<u>(1)</u>		<u>(2)</u>	
Net revenue after taxation		<u>15</u>		<u>22</u>
Total return before distributions		357		(640)
Finance costs: Distributions		<u>(23)</u>		<u>(30)</u>
Change in net assets attributable to unitholders from investment activities		<u>334</u>		<u>(670)</u>

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## STATEMENT OF CHANGE IN SHAREHOLDERS' NET ASSETS

(unaudited) for the period ended 30th November 2009

	2009		2008	
	£'000	£'000	£'000	£'000
<b>Opening net assets attributable to unitholders</b>		2,441		3,167
Amount receivable on creation of units	23		540	
Amounts payable on cancellation of units	<u>(246)</u>		<u>(75)</u>	
		(223)		465
Change in net assets attributable to unitholders from investment activities (see above)		334		(670)
Stamp Duty Reserve Tax		<u>(4)</u>		<u>-</u>
Closing net assets attributable to unitholders		<u>2,548</u>		<u>2,962</u>

The opening net assets attributable to unitholders for 2009 differs to the closing position in 2008 by the change in unitholders' net assets for the second half of the comparative financial year.

## BALANCE SHEET

(unaudited) as at 30th November 2009

	30/11/2009 £'000	31/05/2009 £'000
<b>Assets</b>		
Investment assets	<b>2,516</b>	2,378
Debtors	<b>29</b>	141
Cash and bank balances	<b>46</b>	317
Total other assets	<b>75</b>	458
<b>Total assets</b>	<b>2,591</b>	2,836
<b>Liabilities</b>		
Creditors	<b>(21)</b>	(368)
Distribution payable	<b>(22)</b>	(27)
<b>Total liabilities</b>	<b>(43)</b>	(395)
<b>Net assets attributable to unitholders</b>	<b>2,548</b>	2,441

### Notes to the Financial Statements

#### Accounting policies

The interim financial statements have been prepared on the same basis as the audited financial statements for the year ended 31st May 2009. They are in accordance with the historical cost convention, as modified by the revaluation of investments, and the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association (IMA) in November 2008 (the IMA SORP 2008).

During the period, the fund has adopted the IMA SORP 2008. This has resulted in presentational changes to the Statement of Total Return whereby currency gains and transaction charges are now classified as capital gains or capital losses. The effect of this is to remove £nil (30th November 2008: £nil) from 'Currency gains', and to reduce 'Expenses' by £1,235 (30th November 2008: £608), with a corresponding change in 'Net capital losses'.

## Distribution Tables

### Interim Distribution

Group 1: units purchased prior to 1st June 2009

Group 2: units purchased between 1st June 2009 and 30th November 2009

Group	Gross Income	Tax Credit at 10%	Net Income	Equalisation	2009 Distribution Payable	2008 Distribution Paid
1	0.9538	0.0954	0.8584	-	0.8584	1.0096
2	0.7737	0.0774	0.6963	0.1621	0.8584	1.0096

## **GENERAL INFORMATION**

### **Trust Deed**

The Trust was established by a Trust Deed made between the Manager and the Trustee dated 9th June 2004.

### **Prospectus**

Copies of the Trust's Prospectus are available free of charge from the Manager upon request.

### **Pricing and Dealing**

A buying price (the price at which you have bought the units in the Trust and being the higher) and a selling price (the price at which you can sell the units back to the Manager and being the lower) are always quoted for the Trust. The buying price includes the Manager's initial charge.

Dealing in all unit trusts operated by WAY Fund Managers Limited may be carried out between 09:00 and 17:00 hours on any business day. Investors and advisers may sell units over the telephone. Units can only be bought in writing enclosing settlement in full. Prices are quoted on a 'forward' basis. This means that all deals are based on a price that is calculated at the next valuation point (which is 12:00 hours on each business day) following receipt of instructions. Instructions received before 12:00 hours will be priced at 12:00 hours that day, whilst those deals taken later in the day will receive the next dealing price which is fixed at 12:00 hours on the following business day.

In the case of large deals of £15,000 and over, the Manager has the discretion to quote a "special price" within the limits laid down under the Regulations. The "special price" will be a price between the offer (full buying) price and the cancellation price (the price at which units are liquidated from the Trust).

The minimum initial lump sum investment in the Trust is £1,000 and the minimum amount you may sell back to the Manager at any one time is £1,000, providing you maintain a balance of £1,000. At its absolute discretion, the Manager may accept a lower minimum amount for the purchase and sale of units.

A contract note in respect of any purchase will be issued immediately. Unit certificates will not be issued. Instructions to sell your units may be required to be given in writing to WAY Fund Managers Limited, Cedar House, 3 Cedar Park, Cobham Road, Wimborne, Dorset BH21 7SB. A contract note confirming the instruction to sell will be issued immediately. Following receipt of a correctly completed Form of Renunciation, a cheque in settlement will be sent direct to you or your bank/building society within four business days.

## **GENERAL INFORMATION - continued**

### **Management Charges, Spreads and Yields**

The initial charge on the Trust is 5.00% and the annual management fee is 1.5%. The Prospectus permits these to be increased subject to 60 days notice to unitholders. As of 8th January 2010, the difference between the bid and the offer prices was 5.59%.

As at 8th January 2010 the net estimated yield was 0.83%. This yield is calculated and published daily.

Certain other expenses are met by the Trust, all of which are detailed in the Prospectus.

### **Reports**

Reports, in their "short-form", will be sent to all unitholders on an annual and half-yearly basis. The "long-form" accounts are available free of charge on request from the Manager.

### **Publication of Prices**

The price of units in the Trust is currently quoted daily on the web pages of Financial Express at [www.fundlistings.com](http://www.fundlistings.com).

### **Stamp Duty Reserve Tax**

Stamp Duty Reserve Tax ("SDRT") is a 0.5% tax that is payable by the Trustee of a unit trust when unitholders sell their units in that unit trust. This may have an affect on you as the unitholder depending on how the unit trust manager will be treating this particular charge. Subject to limits contained within the Trust's Prospectus, any SDRT liability incurred by EFA James Brearley Managed Balanced Trust will be charged to the Trust, which could mean that less of your money will be invested for potential capital and income growth.

### **Capital Gains Tax**

As an authorised unit trust, the Trust is exempt from UK Capital Gains tax. An individual's first £10,100 of net gains on disposals in the 2009/2010 tax year are exempt from tax. Gains in excess of £10,100 will be taxed according to how long the investment has been held for years after 6th April 1998.

### **Important Information**

It is important to remember that the price of units, and the income from them, can fall as well as rise and is not guaranteed and that investors may not get back the amount originally invested. Past performance is not a guide to future performance. Changes in the rate of exchange of currencies, particularly where overseas securities are held, may also affect the value of your investment. The issue of units may be subject to an initial charge and this is likely to have an impact on the realisable value of your investment, particularly in the short term. You should always regard unit trust investment as long term.