

# Close FTSE techMARK Fund

Interim Short Report  
for the period ended 30 September 2013 (unaudited)



**Close Brothers**  
Asset Management

# Investment objectives and other information

## for the period ended 30 September 2013

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### Investment objective and policy

The Close FTSE techMARK Fund ("the Fund") aims to track the FTSE techMARK Focus Index performance in capital terms. The Fund is constituted for the purpose of tracking the performance (in capital terms) of an index calculated by FTSE International Limited ("FTSE International") representing securities admitted to the Official List of the London Stock Exchange plc ("the Exchange") and comprised within the techMARK™ market.

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### Changes to the Fund

As the final and interim accounting dates have changed to 31 March and 30 September respectively, the last set of interim accounts were for the eleven months ending 30 September 2012. As a result of this change, the current period's financial statements are not directly comparable with those of prior periods.

As of 6 September 2013, the Administration Charge of 0.15% was removed from the 'X' unit class of the Fund. This change will be reflected in the Prospectus as soon as practicable.

# Investment objectives and other information

continued

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## Fund facts

Accounting year end date	31 March
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## A units

Launch date	4 November 1999
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Initial charge	4.75%
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Periodic charge	1.15%
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Administration charge	Nil
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Minimum investment	£1,000 or £250 monthly
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## X units

Launch date	1 October 2012
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Initial charge	Nil
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Periodic charge	0.45%
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Minimum investment	£1,000
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# Manager's report

for the period ended 30 September 2013

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## Investment performance

The Close FTSE techMARK Fund was launched at the start of November 1999 to coincide with the launch of the new techMARK market by the London Stock Exchange, and of the FTSE techMARK 100 Index (since re-named the FTSE techMARK Focus Index). The Fund focuses on technology companies listed in the UK.

In the period to 30 September 2013, any performance difference arising from the fund and the index is due to valuation of the fund using prices at 12:00 noon (Mid-day prices are used in Fund valuation to allow for daily dealing by investors), whilst the Index, which is not tradeable, is valued using end-of-day closing prices. The tracking error of the fund for the 12 months ending at 30 September 2013 was 1.6%.

The Fund, which is a tracker fund, invests in the companies in the FTSE techMARK Focus Index. These companies are characterised by their involvement in technology and span sectors as diverse as biotechnology, telecommunications, and semiconductors. Market capitalisation of companies in the Fund ranges in size from £2 million to over £10 billion and the Index currently includes six stocks in the FTSE 100 Index.

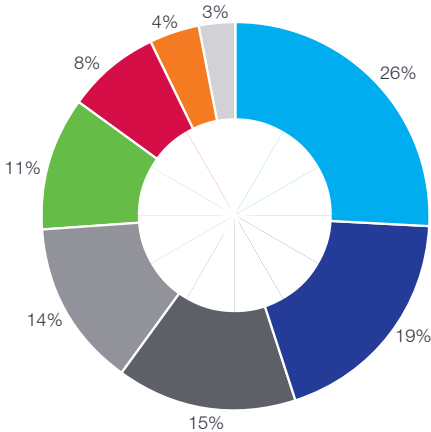
The FTSE techMARK Focus Index consists of a variable number of stocks that fulfil the eligibility criteria and currently has 53 constituents. All of the companies have a full listing on the London Stock Exchange and the Fund may also invest in newly floated technology companies on a periodic basis, when the companies are added into the index.

The Close FTSE techMARK Fund continues to seek to track the performance of the Index.

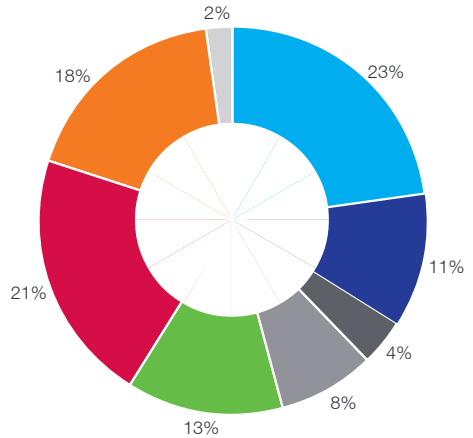
# Manager's report

continued

The FTSE techMARK Focus Index  
Sector Split for 30 September 2013



The FTSE techMARK Focus Index  
Sector Split for 31 March 2013



## Market Review

The UK technology sector, as reflected by the FTSE techMARK Focus Index, rose 5.9% over the six months to the end of September, significantly outperforming the FTSE 100 Index, which rose 0.8% over the same period.

The biggest positive mover in the index came from an expert drug delivery company Skyepharm which rose 117.2% on the back of better sales and improved pipeline expectations. Imagination Technology maker of mobile graphics and microprocessor chip technology was the worst performer in the Index by falling 33.9%.

In April concerns shifted over the course of the month, initially from Cyprus to Italian elections and later in the month the weakness in economic data from the US, specifically weak manufacturing and jobless data. It is apparent

# Manager's report

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## Market Review continued

however that global growth is still in a fragile state with the Federal Open Market Committee (FOMC) minutes showing their willingness to retain quantitative easing and the European Central Bank (ECB) cutting lending rates from 0.75% to a record low of 0.5% as governments realise the ongoing need to stimulate growth by any means possible.

In the latter half of May statements by Ben Bernanke hinting the reduction of the Federal Reserve's (Fed's) quantitative easing policies sent equity markets south. This is while the mood in Europe appears to be more geared towards policies encouraging growth as opposed to austerity. Mario Draghi admitted he had an "open mind" toward negative interest rates as a policy tool to elicit additional bank lending.

The FOMC commented in June that improving economic growth in the US economy may lead to the possibility of a "tapering" of the quantitative easing program in the very near future. This news sent panic into both the bond and equity markets as participants inferred that a reduction in the money supply would damage growth opportunities going forward. Following this reaction, officials from the Fed claimed that the market had misinterpreted their initial comments and stated that: "the path of rates will ultimately depend on the path of the economy".

All markets saw positive returns in July with few exceptions. Europe was the top performer as manufacturing indices in both France and

Germany improved and Germany moved back to positive growth; Spain's unemployment numbers were a particularly positive surprise. Economic conditions remain fragile, however, as commented on by many European companies and by the ECB which reiterated that asset purchasing will continue and interest rates remain low for an "extended period of time". Japan had another strong month until the last week of July when the yen unexpectedly strengthened, raising concerns for exporters, and the markets sold off most of their gains.

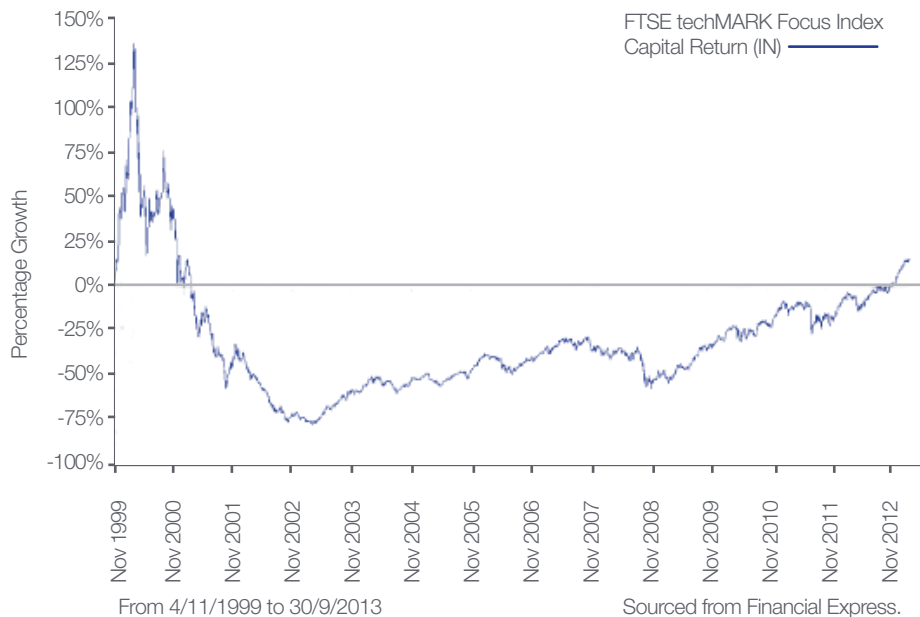
The situation in Syria peaked in August with a reported chemical weapons attack in several opposition-controlled areas close to Damascus. The US administration stated that there was enough evidence on the ground of Assad's culpability to support military intervention in the region. Such a geopolitical situation, in the run up to the G20 meetings in St. Petersburg, added significant volatility to markets, and also caused the oil price to rise in anticipation of Middle Eastern unrest. Luckily the spectre of a new Middle Eastern campaign weighed heavily within the international arena, with many nations (notably the UK) refusing to back any strike without further evidence. Russia and Iran, the Syrian government's closest allies, immediately condemned any proposed military action.

All the while the macroeconomic data were improving; initiating a stronger call for earlier and more significant tapering.

# Manager's report

continued

## FTSE techMARK Focus Index since launch to 30 September 2013



There are currently 53 stocks in the Index. Since March to September, index constituents have changed. At the quarterly rebalancing in June RIM and Gresham Computing were excluded from the index while Filtronic was the only inclusion.

At the quarterly rebalancing in September there were neither exclusions nor inclusions. However, during the third quarter BTG increased number of shares in issue and thus increased its weight.

The Close FTSE techMARK Fund will continue to provide investors with a diversified exposure to UK leading-edge technology companies. As the only UK authorised technology fund to follow a recognised index, it is ideally positioned to capture the structural changes in the technology market by placing greater weighting on winning companies and displacing companies in decline.

# Manager's report

continued

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## Fund performance and benchmark performance

Percentage growth performance for the Close FTSE techMARK Fund for the 12 months to end of September over the last 5 years.

	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
The Fund A Accumulation	18.23%	20.82%	0.52%	23.33%	23.70%
FTSE techMark Focus Capital Return	16.66%	20.35%	0.96%	22.01%	23.44%

Source: The FTSE techMARK Focus Capital Return historical figures up to 2012 were produced by Close Asset Management (UK) Limited using Lipper Hindsight. The remaining figures were produced using Financial Express.

The percentage growth in prices is calculated using the published dealing price of units in the A unit class (which may include a dilution adjustment to the mid-market value) in Sterling with net revenue re-invested.

## Distribution information

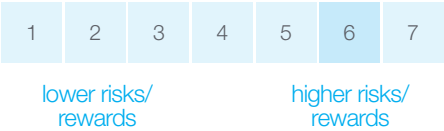
Net revenue pence per unit XD 1 October 2013	Distribution per Unit payable on 30/11/2013
A Accumulation	0.6919
X Accumulation	1.0135



# Manager's report

continued

## Synthetic Risk and Reward Indicator (SRRI)



The indicator above illustrates the position of this Fund on a standard Risk/Reward category scale. The category is chosen based on the volatility of returns over the past 5 years.

Please note that:

- Past performance is not a reliable indicator of future results.
- The risk category shown is not guaranteed and may shift over time.
- The lowest category does not mean 'risk free'.

This measurement can change and the Key Investor Information Document will contain the most up to date version.

The Fund is in category 6 (denoting high risk, but with potential for higher rewards) because it invests mainly in stocks and shares - the value of which can move up and down considerably.

Investing in the Fund also carries the following risks:

Long-term investment: you should consider an investment in the Fund as long-term and you must be willing to accept some risk to your capital. Because of this, you should not invest money in the Fund that you may require in the short-term.

Derivatives risk: the value of an individual derivative may fluctuate more than the value of the underlying asset, reference rate or index.

Segment and index risk exposure: where the Fund holds a limited range of securities, group of securities or sector or asset class, the effect of price movements may have a greater effect on the value of your investment.

For more information on risk, please see the section 'Risk Factors' in the prospectus.

# Performance record

## Net asset value per unit and comparative tables

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### Net asset values

The net asset values are:

Accounting Date	Total Net Asset Value	Net Asset Value per Unit	Number of Units in Issue
30/9/2013			
A Accumulation	£27,384,302	126.21p	21,696,563
X Accumulation	£717,751	122.30p	586,896
31/3/2013*			
A Accumulation	£25,167,545	118.99p	21,150,897
X Accumulation	£120,308	115.06p	104,563
31/10/2011			
A Accumulation	£19,193,094	87.72p	21,880,842
31/10/2010			
A Accumulation	£19,166,135	81.97p	23,381,662

\*The accounting year for the Fund has been changed from 31 October to 31 March as stated in the Prospectus.

# Performance record

continued

## Capital record and net revenue

A accumulation units were first offered at 100.00p on 4 November 1999.

X accumulation units were first offered at 100.00p on 1 October 2012.

Year	Highest Price P	Lowest Price P	Net Revenue Paid pence per Unit in Calendar Year
2013*			
A Accumulation	129.80	107.30	1.0056
X Accumulation	125.80	103.60	1.6292
2012			
A Accumulation	106.20	87.61	0.3929
X Accumulation†	102.60	97.23	—
2011			
A Accumulation	101.41	75.73	0.6811
2010			
A Accumulation	91.78	71.18	0.5346
2009			
A Accumulation	75.74	47.10	0.4911
2008			
A Accumulation	72.61	44.42	0.3196

\*Highest and lowest price to 30 September 2013 and net revenue to 30 November 2013.

†from 1 October 2012.

The above performance information and that which is contained in the Manager's report relates to past performance.

Past performance is not a reliable indicator of future results.

The value of investments and the revenue from them may fall as well as rise and is not guaranteed.

# Performance record

continued

## Ongoing charges figure (annualised)

Period to 30/9/2013		Period to 31/3/2013	
A Accumulation	1.62%	A Accumulation	1.74%
X Accumulation	1.03%	X Accumulation	1.19%

The ongoing charges figure (OCF) represents the annual operating expenses of the Fund expressed as a percentage of average net assets for the period/year - it does not include initial charges. The OCF includes the annual management charge and also the following charges which are deducted directly from the Fund: General Administration Charges, Trustee Fee, Safe Custody Fee, Audit Fee, FCA Fee, Professional Service charges and Safe Custody Transaction charges. The OCF is expressed as an annual percentage rate.

## Top 10 Holdings

Holdings as at 30/9/2013	% Net Asset Value	Holdings as at 31/3/2013	% Net Asset Value
BAE Systems	10.25	ARM	9.94
Shire	8.69	BAE Systems	9.29
ARM	7.96	Shire	7.88
Smith & Nephew	7.02	Smith & Nephew	7.15
Meggitt	6.03	Sage	6.03
Cobham	4.04	Cobham	4.11
Spectris	4.00	Meggitt	4.09
Sage	3.85	Spectris	3.99
Telecity	3.49	Telecity	3.83
AVEVA	3.44	AVEVA	3.22

# Risk profile

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The risks to which the Fund is exposed, and the approach taken to manage them, are as follows:

## Market risk

Investors are reminded that notwithstanding the investment objectives of the Fund, the price of units in the Fund, and the revenue from it, may go down as well as up and is not guaranteed. Investment in the Fund should be regarded as a long term investment and unitholders should be willing to accept some risk to their capital and not invest money in units in the Fund that they may require in the short term.

## Currency risk

The Fund may hold some investments which are denominated in currencies other than Sterling. Movements in foreign exchange rates may positively or adversely impact the value of such investments and therefore, the value of units.

## Interest rate risk

This is the risk of changes (negative as well as positive) in the value of investments as a result of fluctuations in interest rates. For example, a reduction in interest rates will mean that the Fund receives less credit interest on cash placed on deposit. Alternatively, an increase in interest rates means that the Fund will be charged higher debit interest on any overdrawn accounts.

## Liquidity risk

This is the risk that the Fund may not have sufficient cash, or the ability to raise additional cash through the sale of underlying investments, in order to meet redemption requests. The Fund has limited temporary borrowing powers. The Fund holds cash and readily realisable securities. We monitor the cash position and the level of redemption requests so as to minimise the liquidity risk which may arise. Furthermore, the underlying investments of the Fund may be subject to liquidity constraints, therefore affecting the ability of the Fund to realise the investments. This, in turn, may affect the ability of the Fund to raise cash to meet requests for the redemption of units.

## Counterparty and credit risk

This is the risk of suffering loss due to another party not meeting its financial obligations. One source of this risk for a Fund is where counterparties to any trade fail to meet their transaction commitments. The Fund only buys and sells investments with brokers which have been approved by the Manager as an acceptable counterparty. In addition, limits are set on the maximum exposure to any individual broker that may exist at any time, and these limits are reviewed regularly. It is possible for a problem to arise both on exchange traded and over the counter transactions.

# Risk profile

continued

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## Counterparty and credit risk continued

In addition, if any of the issuers of the securities held within a Fund become less financially secure, this could reduce the value of the security and hence the value of units in the Fund.

If a Fund's cash is deposited with any financial institution which becomes insolvent or suffers other financial difficulties, the full deposit may not be returned. This would mean that unitholders would not get back the full value of their investment. The Fund is not currently eligible to claim under the UK's Financial Services Compensation Scheme for monies on deposit with defaulting deposit takers.

## Valuation risk

The Fund offers a pooled vehicle whereby investors gain exposure through a holding of units in the Fund to the return from the underlying portfolio of the Fund. With a view to achieving fair unit pricing, the value of units is calculated in Sterling on a forward pricing basis (i.e. reference to the next following valuation after dealing instructions are agreed) at 12:00 noon London time of each Dealing Day (i.e. any Business Day with the exception of 24 and 31 December or any other day at the Manager's discretion as notified to unitholders). Investors should note, however, that unit pricing is not an exact science. For certain scheme property, our best estimate of a fair and reasonable market value may prove to be incorrect.

For other investments, use of a market price may prove to be generally appropriate. If there is a risk of divergence of unit prices from a fair value of the underlying assets, we would monitor this and would seek to take appropriate action to minimise dilution to the Fund, with a view to balancing the interests of incoming, outgoing and remaining investors.

## Segment and index exposure risk

The Fund will invest in the companies comprising the FTSE techMARK Focus Index. These companies are representative only of a number of sectors within the main markets of the London Stock Exchange (LSE), therefore they are subject to a less diversified range of economic or market risks, meaning that the movements in the values of their securities may be similarly affected by the same economic or market factors. Since the Fund has a more focused approach, it may be more risky than a fully diversified portfolio. However, the range of stocks within the Index reduces the impact that any single stock can have on the entire portfolio.

The techMARK™ market is a segment of the LSE's main market designed for companies at the forefront of innovative research and product development. The FTSE techMARK Focus Index represents the top companies of the FTSE techMARK All-Share that fulfil all the relevant eligibility criteria, including the requirement to be under £4bn by full market capitalisation when first included. Therefore it excludes stock of very large companies, and also the performance of such companies.

# Directory

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## Manager

Close Asset Management (UK) Limited\*\*  
(Authorised and regulated by the  
Financial Conduct Authority)

Registered office:

10 Crown Place, London EC2A 4FT

Business address:

10 Exchange Square, Primrose Street,  
London EC2A 2BY

Telephone: Dealing only 0870 606 6402\*

## Directors

M. Andrew

G. Clarke

R. Curry

B. Davis

D. Muncaster (appointed 29 April 2013)

D. Naismith (resigned 12 April 2013)

A. Thomas (appointed 29 April 2013)

## Investment Advisor

Close Asset Management Limited\*\*  
(Authorised and regulated by the  
Financial Conduct Authority)

10 Crown Place

London EC2A 4FT

## Useful information

The information in this report is designed to enable unitholders to make an informed judgement on the activities of the Fund during the period and the results of those activities at the period end.

For more information about the activities and performance of the Fund during this and previous periods, please contact the Manager at the address above.

Copies of the corresponding long form report and accounts are available free of charge on request at **[www.closebrothersam.com](http://www.closebrothersam.com)** or by calling **0800 269 824\***.

\*Calls to this number may be recorded for monitoring and training purposes.

\*\*The Manager (Close Asset Management (UK) Limited) and the Investment Advisor (Close Asset Management Limited) are both subsidiaries of Close Brothers Group Plc. Authorised and regulated by the Financial Conduct Authority.

## Trustee

BNY Mellon Trust & Depositary  
(UK) Limited  
(Authorised and regulated by the  
Financial Conduct Authority)  
The Bank of New York Mellon Centre  
160 Queen Victoria Street  
London EC4V 4LA

## Administrator & Registrar

The Bank of New York Mellon  
(International) Limited  
(Authorised and regulated by the  
Financial Conduct Authority)  
BNY Mellon House, Ingrave Road,  
Brentwood, Essex CM15 8TG

## Independent Auditor

Deloitte LLP  
Hill House, 1 Little New Street  
London EC4A 3TR

## **Close Brothers Asset Management**

10 Exchange Square

Primrose Street

London

EC2A 2BY

[www.closebrothersam.com](http://www.closebrothersam.com)

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