



Marlborough UK Micro-Cap Growth Fund

Short Report

For the period from 1st August 2012 to 31st July 2013

Fund Details

Marlborough UK Micro-Cap Growth Fund

Manager and Registrar

Marlborough Fund Managers Limited
Marlborough House
59 Chorley New Road
Bolton
BL1 4QP

Customer Support: 0808 145 2500 (FREEPHONE)

Authorised and regulated by the Financial Conduct Authority

Trustee

HSBC Bank plc
8 Canada Square
London
E14 5HQ

Authorised and regulated by the Financial Conduct Authority

Investment Adviser

Hargreave Hale Ltd
9-11 Neptune Court
Hallam Way
Whitehills Business Park
Blackpool
Lancashire FY4 5LZ

Authorised and regulated by the Financial Conduct Authority.

Auditors

Barlow Andrews LLP
Carlyle House
78 Chorley New Road
Bolton BL1 4BY

Directors of Marlborough Fund Managers Limited

Andrew Staley	Chairman
John R Heap	Director – Strategic Development
Nicholas F J Cooling	Deputy Chairman
B John Leyland	Finance Director
Geoffrey Hitchin	Investment Director
Keith Ounsworth	Director - Sales
Allan Hamer	Joint Managing Director
Wayne D Green	Joint Managing Director

GENERAL INFORMATION

Investment Objective

The investment objective is to provide a total return of capital and income in excess of the total return achieved by the FTSE Small Cap Index (ex Investment Companies), over the medium to long term.

The Scheme will be actively managed on a total return basis investing primarily in UK companies having market capitalisation of £250m or less at the time of purchase. A considerable proportion of the portfolio will be invested in smaller companies with a market capitalisation of less than £150m at the time of purchase. At times it may be appropriate for the Scheme not to be fully invested but to hold cash and near cash. The Scheme may also invest in other transferable securities including, but not limited to: warrants; government and public securities; and units in collective investment schemes. The Scheme is permitted to invest in derivatives and forward transactions for the purposes of hedging only.

Risk Profile

The majority of the portfolio will be invested in UK small cap stocks, most of which will be quoted on AIM. Smaller companies and AIM quoted companies are subject to a higher degree of market risk than larger companies and therefore the fund will always be well spread and it will be unusual if any holding is worth more than 2% of the total fund or that the fund is holding less than 100 stocks.

Risk Warning

The past is not necessarily a guide to future performance. Investments and the income derived from them can fall as well as rise and the investor may not get back the amount originally invested. The fund is subject to an initial charge and consequently charges are not made uniformly throughout the period of the investment. The fund invests in smaller companies and carries a higher degree of risk than funds investing in larger companies. The shares of smaller companies may be less liquid and their performance more volatile over shorter time periods. The fund can also invest in smaller companies listed on the Alternative Investment Market (AIM) which also carry the risks described above. The fund invests mainly in the UK. Therefore it may be more vulnerable to market sentiment in that country.

Reports and Accounts

The purpose of sending this Short Report is to present you with a summary of how the fund has performed during the accounting period in accordance with the FCA rules. If you wish to request further information, the more detailed long form report is available. For a copy please write to Marlborough Fund Managers Ltd, Marlborough House, 59 Chorley New Road, Bolton BL1 4QP or telephone customer services on 0808 145 2500.

Change in Prospectus

From 31 December 2012 class P units became available for purchase in the Fund. The minimum investment on B units was reduced to £50,000. Also from that date, the manager's periodic charge and trustee's fees are calculated on a daily basis.

During the period the investment objectives have altered so that the Fund now invests primarily in companies having a market capitalisation of £250m or less rather than £100m, and that a considerable proportion of the Fund will be invested in smaller companies with a market capitalisation of less than £150m rather than £50m at the time of purchase.

AUTHORISED INVESTMENT ADVISER'S REPORT

For the year ended 31 July 2013

Percentage change and sector position to 31 July 2013

	<u>Six months</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>	<u>Since launch**</u>
Marlborough UK Micro-Cap Growth Fund	6.19%	23.79%	84.28%	130.08%	250.40%
Quartile Ranking*	4	4	1	1	1

*Based on ranking within UK All Companies Sector

**13 September 2004

External Source of Economic Data: Morningstar (bid to bid, net income reinvested)



Giles Hargreave

Guy Feld

The quoted bid price over the year to 31st July 2013 rose 23.79%. The net asset value of the Class A units, calculated by using the bid prices of the underlying shares, rose 24.0% over the year from 256.6p to 318.1p, while the P class units were a little higher at 320.2p, up 24.8% . This compared with rises of 44.2% for the FTSE SmallCap Index and 7.3% for the AIM Index.

This proved to be a tough year to keep up with the small cap, as we are mainly invested in AIM shares. Having said that there were plenty of strong performing AIM shares and it was more a question of missing out on some of the top performers. Happily we are fighting back in the current year, up 9.3% since 1st August 2013

compared to 5.8% for the FTSE SmallCap Index. Performance has been helped by the move to allow AIM shares in ISA's, which combined with the IHT allowance and the coming stamp duty relief makes AIM shares a highly attractive proposition.

Major winners over the year with rises of more than 125% included Wandisco, Blinkx, Optimal Payments, Gable, Quadrise and Polar Capital. As usual with us there was a greater emphasis on the technology sector where my colleague, Guy Feld, tends to specialise. We finished the year with a low level of cash, £1m, reflecting our bullish view of the AIM market although we continue to alleviate single stock risk by holding an extensive spread, some 220 stocks in total.

Distributions

	Year 2013	Year 2012
Class A		
Net income paid 30 September (acc units)	0.0000ppu	0.0000ppu
Class B		
Net income paid 30 September (acc units)	0.5296ppu	0.2505ppu
Class P		
Net income paid 30 September (acc units)	0.3651ppu	N/A

12 September 2013

This report contains FTSE data. Source: FTSE International Limited ("FTSE") © FTSE 2013. "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under licence. All rights in the FTSE indices and / or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and / or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.

MARLBOROUGH UK MICRO-CAP GROWTH FUND

TOP TEN HOLDINGS AS AT 31 JULY 2013

	%
Eckoh	1.71
CML Microsystems	1.65
Optimal Payments	1.61
Cello Group	1.53
Advanced Computer Software	1.49
Smart Metering Systems	1.34
KBC Advanced Technologies	1.23
Fairpoint Group	1.23
Synectics	1.17
Tracsis	1.16

TOP TEN HOLDINGS AS AT 31 JULY 2012

	%
CML Microsystems	1.68
API Group	1.63
GB Group	1.52
IDOX	1.51
Advanced Computer Software	1.41
Amerisur Resources	1.31
Lo-Q	1.22
InternetQ	1.17
Clean Air Power	1.17
M&C Saatchi	1.14

Material Portfolio Changes

For the year ended 31 July 2013

Major Purchases	Cost (£)	Major Sales	Proceeds (£)
Fairpoint Group	2,380,273	FFastFill	1,526,000
Cello Group	2,070,895	Quindell Portfolio	1,163,682
Snoozebox	1,832,463	Tikit Group	1,040,000
Immunodiagnostic	1,797,746	Gable Holdings	1,007,289
Synectics	1,741,488	1Spatial	923,950
Japan Residential Investment	1,568,804	InternetQ	806,900
Mytrah	1,558,067	Galliford Try	805,176
KBC Advanced Technologies	1,556,828	Yougov	728,154
Utilitywise	1,439,394	Lo-Q	717,484
Thorntons	1,360,821	Avanti Communications Group	657,490
SpaceandPeople	1,253,327	Cupid	635,155
SQS Software Quality Systems	1,198,048	Endace	600,000
Energy Assets Group	1,178,442	Wandisco	570,936
1Spatial	1,158,463	Jellybook	535,834
Abbey Protection	1,082,537	Gemfields	491,788
Fusionex International	1,067,817	West African Minerals	462,254
Eckoh	1,053,508	Hutchinson China Meditech	449,999
Finsbury	1,038,404	Volex	445,636
Thalassa	1,000,000	ANGLE	438,802
Dotdigital	989,419	CML Microsystems	409,852
Other purchases	65,601,356	Other sales	13,199,366
Total purchases for the year	93,928,100	Total sales for the year	27,615,747

MARLBOROUGH UK MICRO-CAP GROWTH FUND

FUND FACTS

Launched Accumulation Units

13 September 2004 at 100p

On 16 November 2009 the units were reclassified as Class A and Class B units became available for purchase. On 31 December 2012 Class P units became available for purchase.

Accounting Dates	(Final)	31 July
	(Interim-report only)	31 January
Distribution Dates	(Final)	30 September

Minimum Investment	Class A	£1,000
	Class B	£50,000
	Class P	£1,000,000

IMA Sector	UK Smaller Companies
-------------------	----------------------

Ongoing Charge Figure as at 31 July 2013

Class A 1.54%, Class B 1.04%, Class P 0.81%**

Ongoing Charge Figure as at 31 July 2012

Class A 1.53% Class B 0.99%*

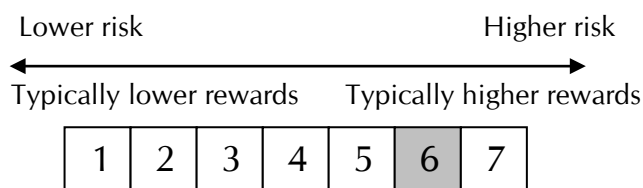
* period 4 April 2012 to 31 July 2012

** period 31 December 2012 to 31 July 2013

The ongoing charge figure is based on expenses for the year, except as indicated above. The ongoing charge figure has been annualised to give a more accurate representation of the true costs over one year. This figure may vary from year to year. It excludes:

- Performance fees
- Portfolio transaction costs, except in the case of an entry/exit charge paid by the fund when buying or selling units in another collective investment scheme.

SYNTHETIC RISK AND REWARD INDICATOR



The risk and reward indicator above aims to provide you with an indication of the overall risk and reward profile of the fund. It is calculated based on the volatility of the fund using weekly historic returns over the last five years. If five years data is not available for a fund, the returns of a representative portfolio are used.

This Fund has been measured as 6 because it has experienced high volatility historically.

MARLBOROUGH UK MICRO-CAP GROWTH FUND

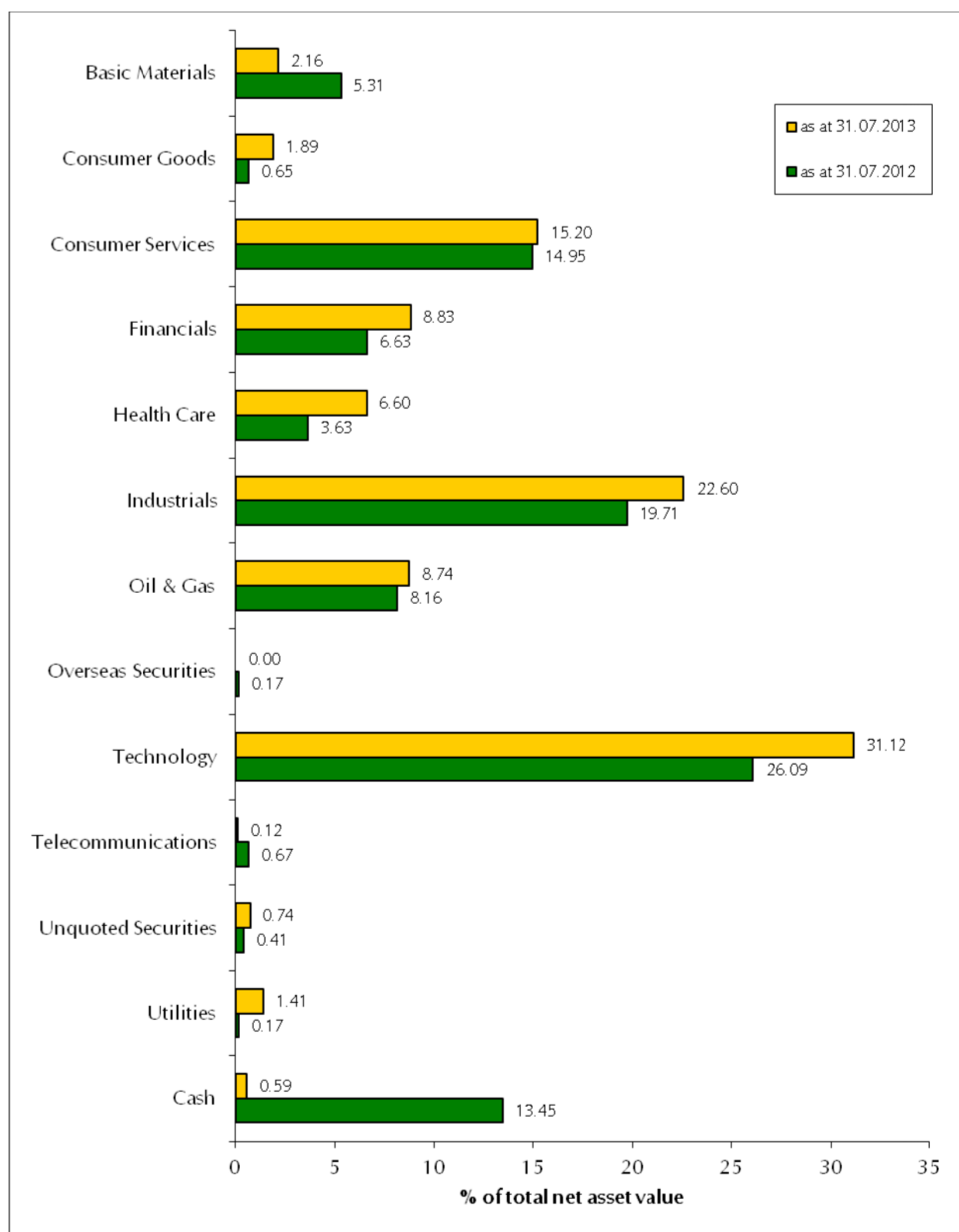
SUMMARY OF FUND PERFORMANCE

Class Type	Year	Highest Price	Lowest Price	Distribution Per Accumulation Unit
Class A	2008	182.00p	95.43p	-
Class A	2009	182.52p	99.33p	-
Class A	2010	249.25p	159.31p	-
Class A	2011	278.46p	220.46p	-
Class A	2012	313.83p	234.57p	-
Class A	2013*	348.55p	299.34p	-
Class B	2009	181.18p	165.11p	-
Class B	2010	239.75p	167.08p	-
Class B	2011	267.85p	231.52p	-
Class B	2012	305.67p	243.55p	0.2505p
Class B	2013*	341.18p	304.68p	0.5296p
Class P	2013*	337.45p	300.89p	0.3651p

*up to 31 July 2013

		Net Asset Value of Scheme Property	Number of accumulation units in issue	Net Asset Value Per Accumulation Unit
31 July 2011	Class A	£59,375,278	23,772,237	249.77p
31 July 2012	Class A	£100,526,832	39,175,983	256.60p
31 July 2012	Class B	£303,128	117,345	258.32p
31 July 2013	Class A	£155,383,127	48,848,830	318.09p
31 July 2013	Class B	£3,702,985	1,143,746	323.76p
31 July 2013	Class P	£20,938,644	6,538,896	320.22p

PORTFOLIO BREAKDOWN



Marlborough Fund Managers Limited
Marlborough House
59 Chorley New Road
Bolton
BL1 4QP

Customer

Support: 0808 145 2500

Intermediary

Support: 0808 145 2502

Dealing: 0808 145 2501

Fax: 01204 533045

Email: enquiries@marlboroughfunds.com

Website: www.marlboroughfunds.com

Marlborough Fund Managers Limited
Registered in England No. 2061177
Authorised and regulated by the Financial Conduct
Authority and a member of IMA