



# Marlborough Cautious Fund

## Short Report

For the period from 1st May 2013 to 30th April 2014

## **Fund Details**

### **Marlborough Cautious 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 by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority

#### **Investment Adviser**

Marlborough Investment Management Limited  
PO Box 1852  
Lichfield  
Staffordshire  
WS13 8XU

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

## GENERAL INFORMATION

<b>Investment Objective</b>	<p>The investment objective is to provide an above average and subsequently increasing level of income with the potential for some capital growth. It is intended that this objective will be achieved by the Scheme investing primarily in a diversified portfolio of units/shares of collective investment schemes, (including, but not restricted to, Exchange Traded Funds, collective investment schemes which themselves invest in property and/or the shares of property companies, and index-linked collective investment schemes), and transferable securities (including, but not restricted to, shares in investment companies including investment trusts which themselves invest in equities, property and/or the shares of property investment companies, equity linked transferable securities and fixed interest securities), on a global basis. From time to time the Scheme may also invest in fixed interest securities, variable rate and index related securities issued by corporate bodies, government and local and regional agencies on a global basis. The Scheme is also permitted to invest in money market instruments, government and public securities, cash and near cash, warrants and deposits as permitted for non-UCITS retail Schemes in accordance with COLL. The Scheme may only invest in derivatives and forward transactions for the purposes of hedging. It is intended that the assets of the Scheme will be managed such that it is eligible for quotation within the Investment Management Association's Mixed Investment 20-60% sector, further details of which may be found via the IMA's website at <a href="http://www.investmentfunds.org.uk">www.investmentfunds.org.uk</a>.</p>
<b>Risk Profile</b>	<p>The Fund aims to achieve capital growth and income over time by a spread of investments covering a mixture of equities, both in the UK and overseas, with fixed interest stocks also included. This aim is mainly to be achieved by investing in other collective investment schemes. This gives a wide spread of investments which may help to mitigate the risks. The main risks arising from the financial instruments held are foreign currency, interest rate and market price. These risks are monitored by the Managers in pursuance of the investment objective and policy set out in the Prospectus. There is considered to be little exposure to either liquidity risk, as the assets are mainly readily realisable, or credit risk.</p>
<b>Risk Warning</b>	<p>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. Changes in exchange rates between currencies may cause the value of the investment to diminish or increase. The Fund may invest in fixed interest funds which will be impacted by changes in interest rates. To ensure that the principal objective of providing an above average and subsequently increasing level of income can be met, the Annual Management Charge is deducted from capital rather than income. Future capital growth may be constrained as a result.</p>
<b>Reports and Accounts</b>	<p>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.</p>

## AUTHORISED INVESTMENT ADVISER'S REPORT

For the year ended 30 April 2014

Percentage change and sector position to 30 April 2014

	<u>Six months</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>	<u>Since 2 Oct 2000**</u>
Marlborough Cautious Fund	1.39%	4.35%	15.12%	43.46%	86.51%
Quartile Ranking*	2	2	3	3	2

\* Based on ranking within IMA Mixed Investment 20-60% Shares Sector

\*\* Gurjit Soggi appointed investment manager

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



Gurjit Soggi

During the period under review the bid (selling price) of accumulation units for the fund increased from 119.52p at the start of the period to 124.72p, an increase of 4.35%. The Morningstar Cautious Managed sector average rose 3.60% over this period.

The developed markets led during the 12 month period led by the S&P 500 Composite index which gained 20.7% in local currency terms. The MSCI Europe ex-UK Index followed closing up 16.3% whilst in the UK the FTSE 100 Index closed up 8.9%. Asia and the Emerging Markets lagged their Developed market counterparts with the MSCI Emerging Markets Index returning 4.8% whilst the MSCI Asia Pacific ex-Japan and the Nikkei 225 index both gained 3.0%. On the periphery the S&P BSE Sensex Index was the only BRIC market to post a positive return with a rise of 16.3% and the Reuters/Jefferies CRB Commodity index managed a return of 7.0%.

A key performance driver during the reporting period was our shift from being overweight Far East and Emerging Markets equities in favour of developed markets. As such we increased our exposure to the US, UK and Japan. In Japan our exposure was gained through a hedged share class which allowed us to benefit from the gains in Japanese stocks in the face of a weakening currency as Abenomics continued to put downward pressure on the Yen. Our cash weighting remained broadly unchanged from the start of the period through to the period end in April 2014 with a 0.98% gain from 12.77% to 13.75%. Also our long only equity exposure increased from 48.57% to 50.59% and our weighting to Absolute Return funds increased from 4.43% to 8.98% a rise of 4.55%.

Our fixed interest exposure saw the largest reduction during the 12 month period of 10.69% as we sought to reallocate the capital due to unattractive valuations and an end to QE. Lastly we made a 2% allocation to property, an asset class which we have avoided in the past on liquidity concerns. Exposure was established through the North Row Liquid Property fund and offers exposure to the asset class through a daily liquidity fund via IPD futures amongst other asset classes.

During February we started to become increasingly concerned over equity market valuations and the strong run in equities in the developed markets. As such we began the process of reducing the portfolio's exposure to higher beta assets, specifically in the developed markets and back into the Far East and Emerging Markets which have lagged for some time. With the benefit of hindsight we could have made a more wholesale shift into these areas although it is next to impossible to time such moves with perfection. Looking ahead we feel that this will continue to be the key call as we anticipate these areas will continue to play catch-up having lagged developed markets for so long.

At the 18 December FOMC meeting, an announcement was made to taper the FED's aggressive bond buying program to \$75bn a month beginning in January (a \$10bn reduction). A further \$10bn reduction has occurred at each subsequent meeting and the new monthly bond purchasing level is now at \$45bn (30 April 2014). The speed at which further tapering occurs will be a major influence on market behaviour in 2014 and we expect that global currency movements will continue to be a key consideration for asset returns.

## AUTHORISED INVESTMENT ADVISER'S REPORT (CONTINUED)

Distributions		Year 2014	Year 2013	Year 2012	Year 2011
Class A					
Net income paid 30 June	(inc units)	0.6970ppu	0.8300ppu	0.4298ppu	0.8888ppu
	(acc units)	1.0784ppu	1.2602ppu	0.6426ppu	1.3033ppu
Net income paid 31 December	(inc units)		0.6547ppu	0.6675ppu	0.5164ppu
	(acc units)		1.0047ppu	1.0042ppu	0.7665ppu
Class B					
Net income paid 30 June	(inc units)	0.6993ppu	0.8287ppu		
Net income paid 31 December	(inc units)		0.6493ppu		
Class P					
Net income paid 30 June	(inc units)	0.7025ppu	0.8306ppu		
	(acc units)	0.7158ppu	0.8306ppu		
Net income paid 31 December	(inc units)		0.6577ppu		
	(acc units)		0.6646ppu		

Marlborough Investment Management Ltd  
24 June 2014

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## MARLBOROUGH CAUTIOUS FUND

### Material Portfolio Changes

For the year ended 30 April 2014

Major Purchases	Cost (£)	Major Sales	Proceeds (£)
Marlborough Multi Cap Income 'P' (Inc)	1,288,516	CF Lindsell Train UK Equity (Inc)	1,683,120
Henderson UK Equity Inc & Gwth 'I' (Inc)	1,067,670	Prusik Asia Equity Income 'B' Dist	1,329,844
Schroder Recovery Z Income	1,045,430	Polar Healthcare Opportunities 'I'	1,197,151
Marlborough Multi Cap Income 'P' (Acc)	945,450	Schroder Recovery Z Income	1,093,572
Prusik Asia Equity Income 'C' Dist	849,442	Cazenove UK Opportunities 'X' (Inc)	1,036,053
Fidelity American Special Sits 'W' (Acc)	749,710	Marlborough Multi Cap Income 'P' (Acc)	935,436
Templeton Global Bond 'W' (Acc) USD	740,842	J O Hambro UK Equity Income Inst Dist	888,744
Franklin UK Managers Focus 'W' (Acc)	732,519	Prusik Asia Equity Income 'C' Dist	813,030
CF Lindsell Train UK Equity (Inc)	727,450	Templeton Global Bond 'I' (Acc) USD	776,549
SWIP Absolute Return Bond 'D' (Inc)	691,953	Templeton Global Bond 'W' (Acc) USD	749,244
Old Mutual Global Equity Abs Rtn 'R' (Acc)	684,644	CF Eclectica Absolute Macro 'C' (Acc)	748,591
F&C Macro Global Bond 'C' (Acc)	676,790	Standard Life Global IL Bond Hedged 'D'	727,852
J O Hambro Asia Ex Jap Small Mid Cap 'B'	626,422	J O Hambro UK Opportunities 'A' (Acc)	713,864
Cazenove UK Absolute Target P2 (Acc)	578,710	Smith & Williamson Short Dated Cp Bd 'A'	692,276
Prusik Asia Equity Income 'B' Dist	459,326	SWIP Absolute Return Bond 'D' (Inc)	691,530
Ignis Absolute Return Gov Bond 'I' GBP	442,290	Allianz RCM Continental Euro 'C' (Acc)	655,241
Henderson UK Absolute Return 'I' (Acc)	425,940	Cazenove UK Absolute Target P2 (Acc)	575,598
iShares Euro STOXX Small Cap	414,960	Wells Fargo US All Cap Growth 'I'	525,221
F&C European Smallcap 'I' GBP	386,524	J O Hambro Asia Ex Jap Small Mid Cap 'B'	505,349
F&C European Smallcap 'A' Eur	376,491	Fidelity MoneyBuilder Income 'Y' (Inc)	441,735
DB X-Trackers S&P CNX Nifty	371,946	iShares Euro STOXX Small Cap	408,623
Fidelity Asian Smaller Companies 'Y' (Acc)	364,800	iShares III MSCI Australia	390,037
Polar North American 'I' Hedged GBP	363,800	F&C European Smallcap 'A' Eur	385,478
		F&C Macro Global Bond 'C' (Acc)	379,000
		DB X-Trackers MSCI Japan	370,359
		Fidelity American Special Sits 'W' (Acc)	365,673
		DB X-Trackers S&P CNX Nifty	354,757
		M & G Strategic Corp Bond 'A' (Inc)	352,090
Other purchases	3,297,939	Other sales	2,015,875
Total purchases for the year	18,309,564	Total sales for the year	21,801,892



## MARLBOROUGH CAUTIOUS FUND

### TOP TEN HOLDINGS AS AT 30 APRIL 2014

	%
Marlborough Multi Cap Income 'P' (Inc)	10.06
Phoenix TwentyFour Dynamic Bond 'I' (Inc)	9.16
Henderson UK Equity Income & Growth 'I' (Inc)	7.28
Marlborough Cash Trust	7.14
M & G Optimal Income 'A' (Inc)	5.78
CF Lindsell Train UK Equity (Inc)	4.53
M & G Strategic Corporate Bond 'A' (Inc)	4.36
Templeton Global Bond 'I' (Acc) USD	4.18
Franklin UK Managers Focus 'W' (Acc)	3.97
Ignis Absolute Return Government Bond 'I' GBP	3.11

### TOP TEN HOLDINGS AS AT 30 APRIL 2013

	%
Templeton Global Bond 'I' USD (Acc)	8.37
CF Lindsell Train UK Equity (Inc)	8.27
Phoenix TwentyFour Dynamic Bond 'I' (Inc)	7.29
Prusik Asia Equity Income 'B' Dist	6.62
M & G Strategic Corp Bond 'A' (Inc)	5.53
Cazenove UK Opportunities 'X' (Inc)	5.23
JO Hambro UK Equity Income Inst Dist	4.82
Marlborough Cash	4.79
Fidelity MoneyBuilder Income 'Y' (Inc)	4.53
CF Eclectica Absolute Macro 'C' (Acc)	4.43

### FUND FACTS

#### Launched Income Units

31 May 1994 at 50p

#### Launched Accumulation Units

30 June 1998 at 67.32p

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

<b>Accounting Dates</b>	(Final)	30 April
	(Interim)	31 October
<b>Distribution Dates</b>	(Final)	30 June
	(Interim)	31 December
<b>Minimum Investment</b>	Class A	£1,000
	Class B	£50,000
	Class P	£1,000,000

**IMA Sector** Mixed Investment 20-60% Shares

#### Ongoing Charge Figure as at 30 April 2014

Class A 2.35%, Class B 1.86%, Class P 1.61%

#### Ongoing Charge Figure as at 30 April 2013

Class A 2.33%, Class B 1.82%\*, Class P 1.57%\*

\*period from 31 December 2012 to 30 April 2013

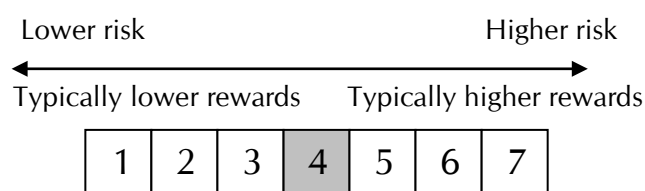
The ongoing charge figure is based on expenses for the year, except as indicated above. The ongoing charge figure has been annualised to give a more accurate representation of the true cost over one year.

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.

## MARLBOROUGH CAUTIOUS FUND

### 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 4 because it has experienced moderate volatility historically.

### SUMMARY OF FUND PERFORMANCE

Unit Type	Year	Highest Price	Lowest Price	Distribution Per Unit
<u>Class A</u>				
Income	2009	75.29p	58.52p	1.7315p
Income	2010	78.72p	69.83p	1.6840p
Income	2011	77.96p	66.99p	1.4052p
Income	2012	76.90p	69.03p	1.0973p
Income	2013	84.44p	73.01p	1.4847p
Income	2014*	86.46p	79.72p	0.6970p
Accumulation	2009	107.18p	81.67p	2.4334p
Accumulation	2010	113.17p	100.41p	2.4270p
Accumulation	2011	114.78p	100.06p	2.0698p
Accumulation	2012	116.76p	103.37p	1.6468p
Accumulation	2013	130.50p	110.85p	2.2649p
Accumulation	2014*	133.76p	123.34p	1.0784p
<u>Class B</u>				
Income	2013	84.59p	73.01p	1.4780p
Income	2014*	86.79p	80.18p	0.6993p
<u>Class P</u>				
Income	2013	81.54p	73.01p	1.4883p
Income	2014*	83.69p	80.36p	0.7025p
Accumulation	2013	83.08p	73.01p	1.4952p
Accumulation	2014*	85.28p	81.89p	0.7158p

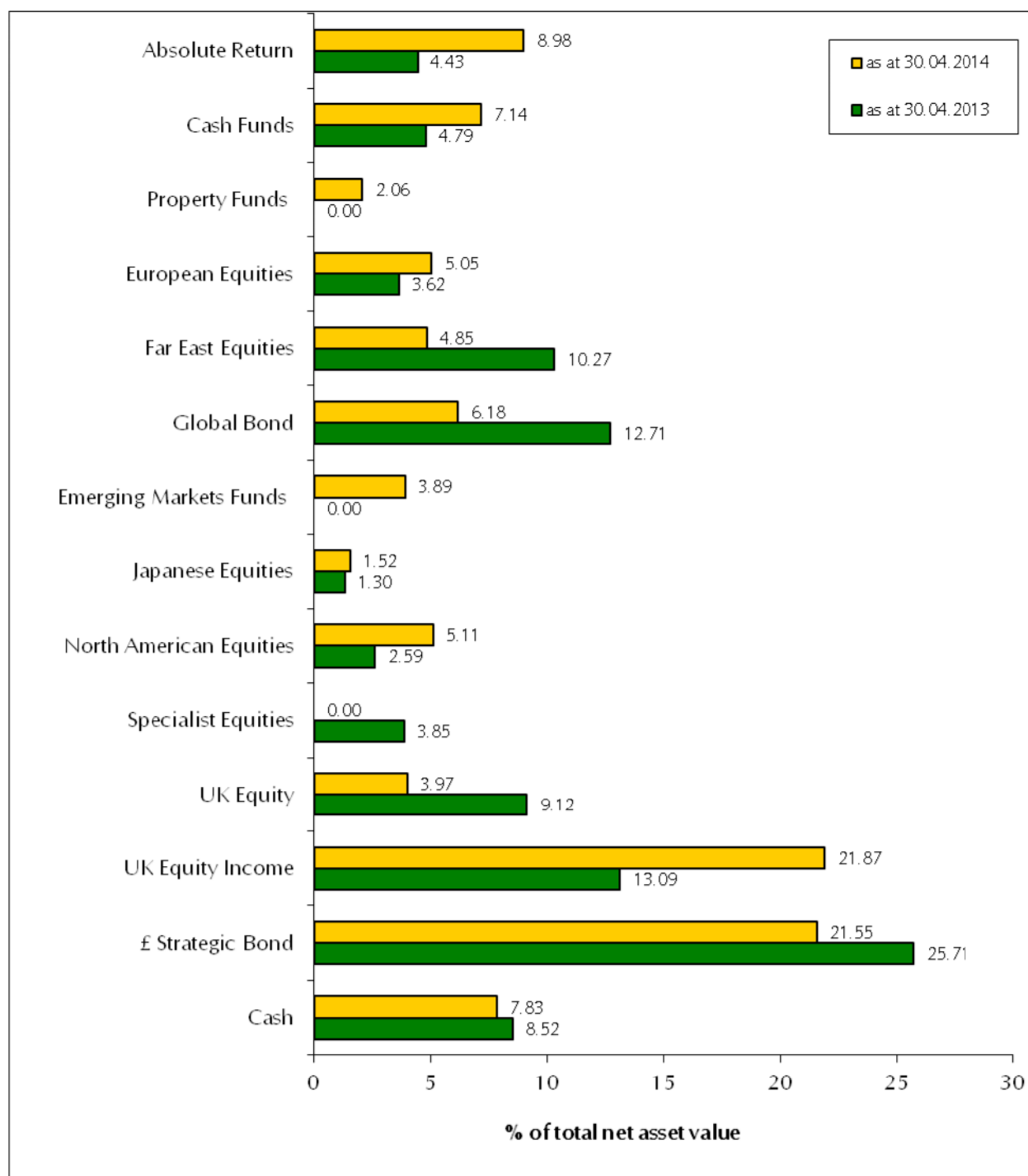
\*up to 30 April 2014

	Net asset value of scheme property	Income units in issue	Accumulation units in issue	Net asset value per unit	
				Income	Accum.
at 30 April 2012	£20,229,375	11,508,940	11,318,261	70.89p	106.64p
at 30 April 2013 Class A	£17,186,581	9,185,699	8,650,698	77.86p	119.47p
at 30 April 2013 Class B	£1,170	1,500	-	77.99p	-
at 30 April 2013 Class P	£39,709	1,500	48,863	78.04p	78.87p
at 30 April 2014 Class A	£12,437,248	5,808,856	6,246,194	79.95p	124.77p
at 30 April 2014 Class B	£1,208	1,500	-	80.51p	-
at 30 April 2014 Class P	£1,839,974	1,762,605	502,520	80.73p	82.98p



## MARLBOROUGH CAUTIOUS FUND

### PORTFOLIO BREAKDOWN



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

Customer

Support: 0808 145 2500

Intermediary

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