



# The Marlborough No. 2 OEIC

## Short Reports

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

## **Fund Details**

### **The Marlborough No 2 OEIC**

#### **Registered Office**

Marlborough House  
59 Chorley New Road  
Bolton BL1 4QP

#### **Authorised Corporate Director and Registrar**

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

Authorised and regulated by the Financial Conduct Authority

Customer Support: 0808 145 2500 (FREEPHONE)

#### **Depository**

HSBC Bank plc  
8 Canada Square  
London E14 5HQ

Authorised and regulated by the Financial Conduct Authority

#### **Investment Advisers**

##### Marlborough Far East Growth Fund

from 4 March 2013:

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

Authorised and regulated by the Financial Conduct Authority

to 4 March 2013:

ARN Investment Partners PTE Ltd  
3 Phillip Street #11-04  
Commerce Point  
Singapore 048693

##### Marlborough Multi Cap Income Fund

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 Ltd**

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

**MARLBOROUGH FAR EAST GROWTH FUND**  
**SHORT REPORT**  
**FOR THE PERIOD FROM 1 AUGUST 2012 TO 31 JULY 2013**

## GENERAL INFORMATION

<b>Investment Objective</b>	The investment objective of the Marlborough Far East Growth Fund is to provide long term capital growth from an actively managed portfolio of securities. The Fund will invest primarily in securities in the Pacific Basin region, excluding Japan, in order to achieve long term capital growth. The asset classes in which the Fund is permitted to invest includes transferable securities, units in collective investment schemes, money market instruments and deposits as permitted for UCITS schemes and in accordance with the Company's investment powers as summarised in the Prospectus. The Fund may invest in derivative instruments and forward transactions for the purposes of efficient portfolio management or hedging, as explained in the Prospectus.
<b>Risk Profile</b>	The fund's emphasis is on achieving competitive performance. It has not been actively engaged in the use of standard deviation for the portfolio against a certain benchmark. The risk focus is to ensure our selecting the right stock in terms of growth, value, balance sheet strength and management credibility. We may actively use cash and low beta index stocks to reduce the volatility of the portfolio.
<b>Risk Warning</b>	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 invests in less developed overseas markets which may be less liquid and more volatile than more developed markets. The fund has a concentrated portfolio which means greater exposure to a smaller number of securities than a more diversified portfolio.
<b>Reports and Accounts</b>	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.
<b>Change in Prospectus:</b>	From 31 December 2012 class P shares became available for purchase. Also from that date, the manager's periodic charge and depositary's fees are calculated on a daily basis. On 1 March 2013 the investment adviser for the Marlborough Far East Growth Fund changed from ARN Investment Partners PTE Ltd to Marlborough Fund Managers Ltd.

## 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>
Marlborough Far East Growth Fund	-7.54%	6.66%	2.24%	26.34%
Quartile Ranking*	4	4	4	4

\*Based on ranking within Asia Pacific ex Japan Sector

\*\*31 October 2005

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



The fund has experienced a mixed year. In the few months before Christmas 2012, the fund performed well, as its high beta portfolio was well-placed for the brief rally in markets in Q4. However, in 2013, which has seen regional Asian Indices fall heavily, led down by resources, performance has suffered until recently, as the fund was heavily exposed to Chinese stocks and risk assets, especially in the energy, tech and materials sectors. After an initial heavy hit from these legacy positions, performance has begun improving steadily and since the end of April, the fund has started to outperform the regional indices steadily, by almost 1.2%.

This improvement has not been achieved by hugging the benchmark, but by broadening the exposure both geographically and sectorally, adding financials, media, consumer discretionary, infrastructure construction and retail companies and diversifying the tech focus away from purely Apple and smartphones. We believe that high conviction should not equate to lack of diversification. The fund remains relatively concentrated with just

43 positions and we have immense conviction in the stocks that we have bought. New holdings in Malaysia, Singapore, Australia, Korea and China have all performed well, with Taiwan producing some especially pleasing performance for the fund. Nine of these new positions have already produced double digit positive relative returns and the diverse nature of their exposure should protect the fund from significant damage when markets reverse.

Stock markets in the Asian region have been wracked with doubts and fears this year - that China's rate of GDP growth would slow (with attendant impacts on Australia and Indonesia), that North Korea would invade the South / launch missiles on the rest of the world and that Indian politics were so intractable that there is nothing of value in that country. Investors piled into the ASEAN region, only to find that those markets are illiquid and more vulnerable to investor flight than they thought. Then, when Japan embraced Abenomics and devalued the Yen just as Chinese GDP began to moderate and the US Federal Reserve began to muse about less QE, markets fell sharply. July and August have seen some recovery in sentiment in most markets (India aside) and economic data have shown that China is moderating, rather than collapsing, contrary to popular media portrayal.

### Investment Outlook & Strategy

The market frenzy in June diverted investors' attention from what may be some of the most significant political developments for over thirty years in the Asian region.

In China, it is always important during periods of heightened reporting on a particular issue to look at what is happening elsewhere, as, in the national game of wei qi, what is occurring in other areas of the board is often more strategically important than the immediate focus of attention.

## AUTHORISED INVESTMENT ADVISER'S REPORT (CONTINUED)

After months of speculation about who the real Xi Jin Ping might be, China's new President has finally revealed his political true colours, launching the first "mass line education" campaign since the Mao era to attack the "four winds of formalism, bureaucracy, hedonism and extravagance". Mass Line Education programmes call for every citizen, from the highest to the most lowly, to fall in line with Party policy. These are not lightly undertaken in China. Even Mao only launched 16 such campaigns between 1949 and his death and this new call is equally historic. The PLA and armed police have been urged to "learn from Xi Jin Ping's speech" that "the minds and actions of the armed forces should be unified with the decisions made by the central leadership". Zhang De Jiang, the standing committee member whose background is within the discipline wing of the Party, emphasised the Party's intention to improve good governance by declaring that "it is absolutely impermissible for any organisation or individual to stand above the law". It was at that moment that the central bank allowed the banks to twist in the wind for just five days, as interbank rates spiked rapidly (as they always do when China pays its tax in June). The PBOC passed the opportunity to release funds at the regular auction and waited instead until the market chatter had reached panic proportions before injecting sufficient cash to bring rates back to more normal levels. In so doing, the central bank demonstrated with absolute clarity that the banks must also toe the line and that any freedom of action they have stems solely from the Party and the PBOC.

This campaign is not the work of a single man. Nor is anti-corporate or anti-market-based capitalism, but it is unequivocally in favour of clean, transparent and legal behaviour by companies and individuals alike. International markets have been calling for the rule of law in China for many years. Now they are going to see it in action. This is tremendously positive for the market in the medium to long term.

The Chinese leadership have also been active in announcing the nature of the rebalancing of the economy. Large swathes of surplus capacity in over 1400 companies across 19 industries are to be idled by September and closed permanently by year end. The leadership will promote services, share ownership, pensions, individual responsibility and deregulate and streamline the SOE's. It will also seek to accelerate the internationalisation of the Renminbi.

Whilst it may be immensely controversial to suggest, we have experienced this before, a long time ago and far, far away. To us this looks like Thatcherism with Chinese characteristics and we would expect its consequences for the Chinese stock market to be similar to those of 1980's Britain.

South Korea has long traded at a substantial discount to the rest of the region, as investors shied away from conglomerate *chaebol* structures and discounted "imminent" invasion from the North. This year, the North's jockeying for position amongst the new leaderships of five of the six nations party to traditional peace talks in Korea was exacerbated by ETF selling following Vanguard's change of benchmark in H1 2013. Investors fretted that, regionally, Korea would be worst hit by a depreciating Yen, assuming Won appreciation would damage exports and that policy indecision would arise in the new leadership. In reality, however, the Won has *depreciated* against all its major trade partners' currencies; causing exports to rise, alongside consumer and business confidence and the new government appears to be settling in well. Vanguard, having completed the sales from their Emerging Market funds in H1, are now set to purchase positions for the Developed Market funds, setting a floor under the index, rather than capping it. Continuing to play *wei qi*, as all eyes were on Chinese interbank rates, those with sharp eyes noticed that North Korea declared that it would like to replace the 1953 Treaty with the South with a permanent peace treaty. As diplomats drew breath, it then announced that it would return to talks with both the US and South Korea and then, via Chinese diplomats, that it was prepared to undertake "talks of any kind to resolve the nuclear issue peacefully". Since then, not only have talks re-started, but the disputed Kaesong Industrial Complex is being re-opened, six new tourism zones have been created in the North and there are talks for a further two industrial complexes. North Korea is changing. Rapidly. With the South Korean stock market trading below book value and now supported by ETF buying, we believe that the second half of this year offers enormous potential.



## AUTHORISED INVESTMENT ADVISER'S REPORT (CONTINUED)

Elsewhere in the region, we are very excited about the thematic prospect for companies which benefit from the growth in LTE in auto. This new technology is already saving lives, with EuroFOT reporting that cars with adaptive cruise control and collision warning systems cut the risk of colliding with the vehicle in front by an astonishing 42%. The portfolio holds one of the principal suppliers of the components of this technology to almost every global auto manufacturer and a number of other stocks which look set to benefit substantially from its growth.

Contrary to prevailing market suggestions that Asian markets have shot their bolt and already achieved their best growth, we continue to find strong and exciting sources of sustainable growth in the region. Following the turmoil of the last few years and panic in April and June this year, those opportunities now also look exceedingly attractively valued and we look forward to the years ahead with relish.

### Distributions

		Year 2013	Year 2012	Year 2011	Year 2010
<b>Class A</b>					
Net income paid 31 March	(inc shares)	0.0620pps	0.0000pps	1.1954pps	0.1882pps
	(acc shares)	0.0676pps	0.0000pps	1.2728pps	0.1994pps
Net income paid 30 September*	(inc shares)	1.7957pps	1.8215pps		
	(acc shares)	1.9586pps	1.9626pps		
Net income paid 30 November	(inc shares)			0.9445pps	0.5978pps
	(acc shares)			1.0122pps	0.6342pps
<b>Class B</b>					
Net income paid 31 March	(inc shares)	N/A	N/A	1.3215pps	0.5485pps
	(acc shares)	0.5136pps	0.2297pps	1.4248pps	0.5836pps
Net income paid 30 September*	(inc shares)	N/A	N/A		
	(acc shares)	2.2521pps	2.6684pps		
Net income paid 30 November	(inc shares)			N/A	1.5931pps
	(acc shares)			0.8092pps	1.7010pps
<b>Class P</b>					
Net income paid 31 March	(inc shares)	0.1629pps			
	(acc shares)	N/A			
Net income paid 30 September	(inc shares)	2.4184pps			
	(acc shares)	2.4184pps			

\* From 2012 the distribution date for the final accounting period is 30 September.

Sally McDonald  
Marlborough Fund Managers Ltd  
2 September 2013

**THE MARLBOROUGH NO 2 OEIC**  
**MARLBOROUGH FAR EAST GROWTH FUND**

**Material Portfolio Changes**

For the year ended 31 July 2013

Major Purchases	Cost (£)	Major Sales	Proceeds (£)
China Mobile	1,430,979	China Mobile	1,716,267
BHP Billiton	1,006,772	BHP Billiton	1,638,800
Lenovo Group	957,581	Taiwan Semiconductor	1,466,341
China Construction Bank	942,276	Hyundai Motor	1,382,346
TPK Holdings	941,198	Sembcorp Marine	1,123,320
LG Display	873,389	Lenovo Group	1,107,288
Ind & Comm Bank of China	718,709	Keppel	1,081,723
Dongfeng Motor	716,852	Kunlun Energy	993,739
China Resources Gas Group	577,239	Hyundai Mobis	957,995
Bank of China	565,159	Samsung Electronics Ordinary	861,774
Singapore Telecom	539,619	TPK Holdings	820,613
Zhejiang Expressway	520,900	Dongfeng Motor	776,903
Great Wall Motor	519,052	Ind & Comm Bank of China	772,486
China National Building Ma-H	515,167	China Blue Chemical	682,600
Gamuda	513,967	China Telecom	676,393
Yes Bank	508,620	Petrochina	603,159
Siam Commercial Bank	506,683	China Construction Bank	592,676
Keppel	498,480	Shinhan Financial Group	571,672
Korean Reinsurance	498,273	Jiangxi Copper	567,182
DBS Group	497,698	Astra International	566,496
Golden Agri Resources	493,318	Media Tek	530,015
Fortescue Metals Group	493,277	Infosys	505,906
Mega Financial Holding	490,238	Great Wall Motor	491,656
STW Communications	486,858	Cheung Kong	491,052
Geovision	481,586	China Shenhua Energy	490,010
HTC Corp	476,594	Swire Properties	484,772
China Coal Energy	476,061	China Resources Gas Group	483,582
		Sun Hung Kai Properties	475,214
Other purchases	10,207,161	Other sales	7,890,786
Total purchases for the year	27,453,706	Total sales for the year	30,802,766

**TOP TEN HOLDINGS AS AT 31 JULY 2013**

	%
Samsung Electronics Ordinary	4.74
Ind & Comm Bank of China	3.67
China Mobile	3.28
Bank of China	3.03
Hon Hai Precision Industry	2.96
CNOOC	2.74
Taiwan Semiconductor Manufacturing	2.72
Singapore Telecom	2.71
Gamuda	2.66
DBS Group Holdings	2.58

**TOP TEN HOLDINGS AS AT 31 JULY 2012**

	%
Samsung Electronics Ordinary	7.33
Taiwan Semiconductor Manufacturing	6.78
Hyundai Motor	6.22
BHP Billiton	4.98
CNOOC	4.94
Sembcorp Marine	4.77
PetroChina	4.72
Keppel	4.60
China Shenhua Energy	4.35
China Mobile	4.11



**THE MARLBOROUGH NO 2 OEIC**  
**MARLBOROUGH FAR EAST GROWTH FUND**

**FUND FACTS**

**Launched Income and Accumulation Shares** 31 October 2005 at 100p  
 On 31 December 2012 Class P shares became available for purchase.

<b>Accounting Dates</b>	(Final)	31 July
	(Interim)	31 January

<b>Distribution Dates</b>	(Final)	30 September (previously 30 November)
	(Interim)	31 March

<b>Minimum Investment</b>	Class A	£1,000
	Class B	£50,000
	Class P	£1,000,000

<b>IMA Sector</b>	Asia Pacific ex Japan
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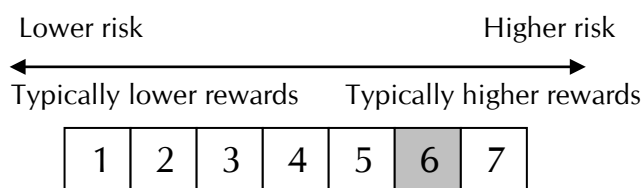
<b>Ongoing Charge Figure as at 31 July 2013</b>	Class A 1.79%	Class B 1.28%	Class P 1.04%
<b>Ongoing Charge Figure as at 31 July 2012</b>	Class A 1.83%	Class B 1.33%	

The ongoing charges figure is based on expenses for the year, except Class P, where the expenses are for the period 31 December 2012 to 31 July 2013 and 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.

**THE MARLBOROUGH NO 2 OEIC  
MARLBOROUGH FAR EAST GROWTH FUND**

**SUMMARY OF FUND PERFORMANCE**

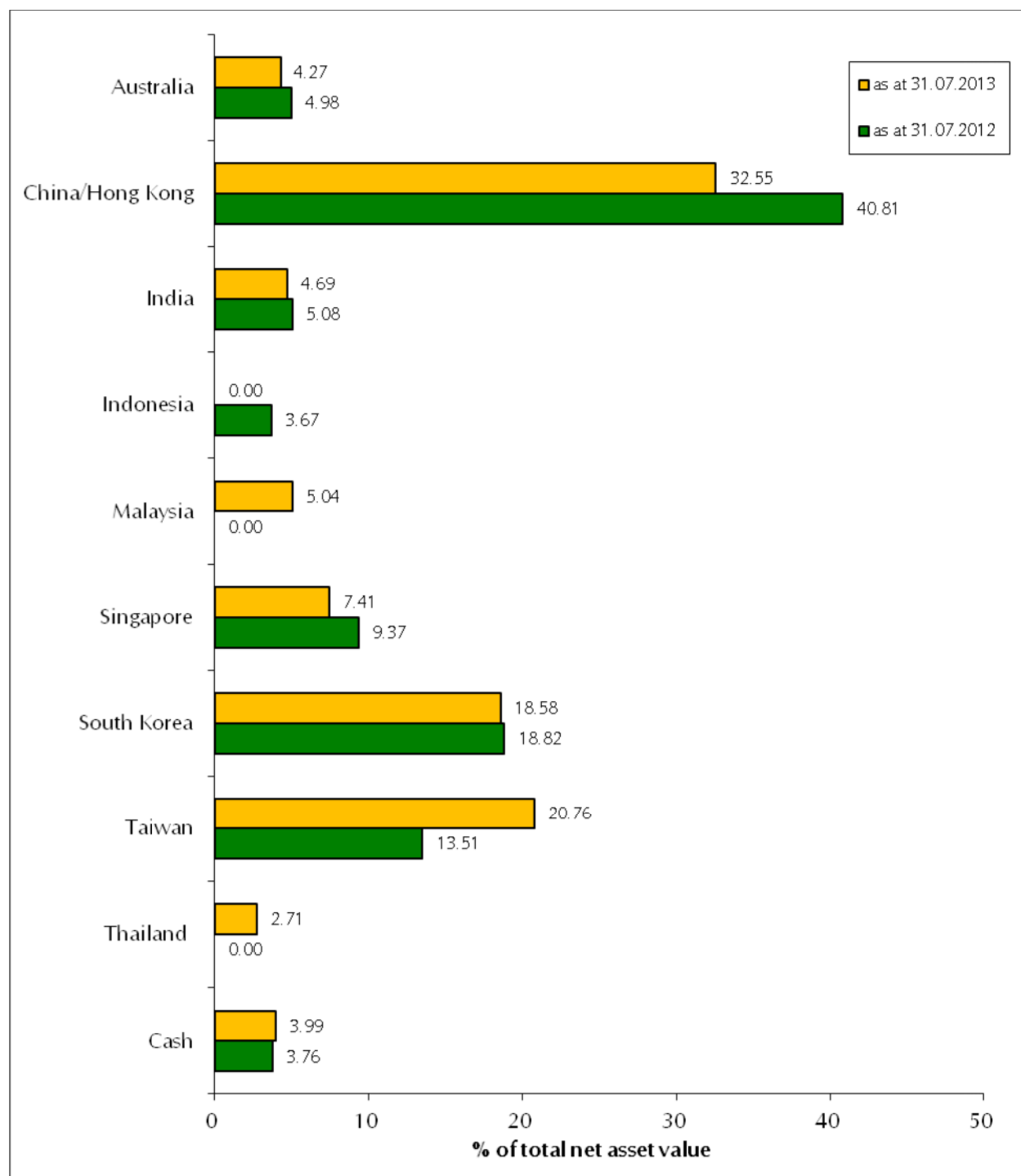
Share Class	Share Type	Year	Highest Price	Lowest Price	Distribution Per Share
Class A	Income	2008	157.34p	95.98p	2.5212p
Class A	Income	2009	174.80p	106.38p	2.9920p
Class A	Income	2010	188.94p	153.58p	0.7860p
Class A	Income	2011	192.25p	130.05p	2.1399p
Class A	Income	2012	172.44p	146.08p	1.8215p
Class A	Income	2013*	183.94p	149.12p	1.8577p
Class A	Accumulation	2008	160.20p	99.54p	2.5764p
Class A	Accumulation	2009	185.22p	111.00p	3.1176p
Class A	Accumulation	2010	201.00p	162.93p	0.8336p
Class A	Accumulation	2011	204.70p	140.14p	2.2850p
Class A	Accumulation	2012	188.02p	157.40p	1.9626p
Class A	Accumulation	2013*	200.63p	162.65p	2.0262p
Class B	Income	2008	157.57p	96.13p	2.6667p
Class B	Income	2009	175.01p	106.30p	2.7978p
Class B	Income	2010	188.90p	154.38p	2.1416p
Class B	Income	2011	192.28p	129.99p	1.3215p
Class B	Income	2012	175.42p	146.75p	0.0000p
Class B	Income	2013*	186.89p	151.78p	0.0000p
Class B	Accumulation	2008	161.06p	100.18p	2.7374p
Class B	Accumulation	2009	186.21p	111.70p	2.9319p
Class B	Accumulation	2010	203.54p	164.83p	2.2846p
Class B	Accumulation	2011	207.31p	141.17p	2.2340p
Class B	Accumulation	2012	190.50p	159.37p	2.8981p
Class B	Accumulation	2013*	202.96p	164.84p	2.7657p
Class P	Income	2013*	184.06p	149.61p	2.5813p
Class P	Accumulation	2013*	184.06p	149.61p	2.4184p

\* up to 31 July 2013

		Net Asset Value of Scheme Property	Net Asset Value per Share	
			Income	Accumulation
31 July 2011	Class A	£30,845,693	177.37p	191.11p
31 July 2011	Class B	£9,186,813	-	193.43p
31 July 2012	Class A	£19,871,668	152.20p	165.95p
31 July 2012	Class B	£3,776,456	-	167.95p
31 July 2013	Class A	£16,933,125	160.42p	176.93p
31 July 2013	Class B	£4,534,800	-	179.36p
31 July 2013	Class P	£280,365	160.40p	162.82p

THE MARLBOROUGH NO 2 OEIC  
MARLBOROUGH FAR EAST GROWTH FUND

GEOGRAPHICAL BREAKDOWN



MARLBOROUGH MULTI CAP INCOME FUND  
SHORT REPORT  
FOR THE PERIOD 1 AUGUST 2012 TO 31 JULY 2013

## GENERAL INFORMATION

### Investment Objective

The investment objective of the Marlborough Multi Cap Income Fund is to seek to generate an attractive and growing level of dividend income in addition to long term capital growth by investing in a diversified portfolio of equities predominantly listed in the UK.

The Fund will aim to achieve its objective by investing primarily in the shares of small to medium capitalisation companies where both capital and dividend growth are anticipated. From time to time the Fund may also hold the shares of large capitalisation companies as well as cash and money market instruments.

The Fund may also invest in other transferable securities including, but not limited to, warrants and government and public securities, and units in collective investment schemes, near cash and deposits. The Fund may enter into derivatives and forward transactions for the purposes of efficient portfolio management (including hedging), and may borrow and enter into stock lending arrangements.

It is intended that the Fund will be managed so that it is eligible for quotation within the Investment Management Association's UK Equity Income sector.

### Risk Profile

The fund invests in UK equity income stocks, across c.125 holdings. This portfolio diversification reduces both company specific risk and sector risk, as no holding is greater than 2.5% of the fund. There is little or no borrowing by the fund and limited exposure to foreign currency risks, although the fund does have the flexibility to invest up to 20% in non UK listed stocks. There is sufficient liquidity in the fund as 10% is typically in FTSE 100 stocks and about 40% in FTSE 250 stocks. However, the rest tends to be in AIM, FTSE Fledgling, FTSE Small Cap, or other FULL listed stocks that are not yet in an index. These stocks can be subject to liquidity risk but the manager will weight individual positions appropriately.

### 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 which carry a higher degree of risk than larger companies. The shares of smaller companies may be less liquid and their performance more volatile over shorter time periods. The fund invests mainly in the UK. Therefore it may be more vulnerable to market sentiment in that country. 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.

### Change in Prospectus:

From 31 December 2012 class P shares became available for purchase. Also from that date, the manager's periodic charge and depositary's fees are calculated on a daily basis.

## 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>Since launch 13 June 2011</u>
Marlborough Multi Cap Income Fund	17.20%	37.16%	41.64%
Quartile Ranking*	1	1	1

\*Based on ranking within UK Equity Income Sector

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



Siddharth Chand Lall

Giles Hargreave

During the annual reporting period to 31 July 2013, the Fund generated a total return of 37.2%, compared to an increase of 24.3% in the FTSE All Share Index, the Fund's primary performance benchmark.

Since inception on 1 July 2011, the fund is up 41.6%. This compares with the FTSE All Share Index, up 22% over the same period. The fund's class A income shares paid an interim net dividend of 2.6361p on 31 March 2013 and a final dividend of 2.9435p, generated over the six month period ending 31 July 2013, is now due (30 September 2013 pay date). This makes a total of 5.5796p in dividends for the year, post fees and transaction costs incurred on investing funds raised initially and also investing fund inflows since

inception.

The fund retains its bias towards small and mid cap companies. Although c.9.6% is invested in FTSE 100 companies such as easyJet and Babcock, we continue to believe that there are many well managed small and mid cap companies that are capable of growing both earnings and dividends in excess of 10% per annum. For instance, two companies that we have met with recently, include St James's Place (interim DPS growth of 50%) and Inchcape (interim Dividend Per Share growth of 43%). One of our larger positions, Polar Capital delivered FY13 DPS growth of 44% with further double digit growth forecast for the next financial year. As mentioned in the last report, TALKTALK, committed to DPS growth of 15% per annum for 2 years; it has kept its promise in the first year and retains a positive outlook.

Taking into account the estimated 5.5796p of total dividends for the accounting year, the fund is yielding c.4.3% (based on the income share price on 1 August 2013), which is ahead of the FTSE All Share dividend yield of 3.29% and ahead of the IMA equity income target of 3.62% (both end of July).

A number of our holdings have seen strong capital appreciation. The level of yield on these specific stocks, therefore, looks somewhat lower as a result. Despite their higher valuations, it could be wrong to sell as they can be difficult to buy back in meaningful quantities, even if they do correct in price. However, we have a wide range of other stocks to choose from and remain disciplined about our investment process; favouring companies with low gearing, sustainable dividend growth and attractive valuations.

The fund value at the end of July 2012 was £142m. As of the end of July 2013, the fund value was c. £426m. The bulk of this gain is due to steady inflows, perhaps encouraged by the deliberate bias towards small and mid cap companies, which differentiates this fund from its peer group.



**THE MARLBOROUGH NO 2 OEIC  
MARLBOROUGH MULTI CAP INCOME FUND**

**AUTHORISED INVESTMENT ADVISER'S REPORT (CONTINUED)**

**Distributions**

		<b>Year 2013</b>	<b>Year 2012</b>
<b>Class A</b>			
Net income paid 31 March	(inc shares)	2.6361pps	2.0100pps
	(acc shares)	2.7655pps	2.0100pps
Net income paid 30 September	(inc shares)	2.9435pps	2.6960pps
	(acc shares)	3.1602pps	2.7530pps
<b>Class B</b>			
Net income paid 31 March	(inc shares)	2.6446pps	2.0023pps
	(acc shares)	2.6446pps	N/A
Net income paid 30 September	(inc shares)	2.9336pps	2.7027pps
	(acc shares)	3.0355pps	N/A
<b>Class P</b>			
Net income paid 31 March	(inc shares)	2.6431pps	
	(acc shares)	2.6431pps	
Net Income paid 30 September	(inc shares)	2.9503pps	
	(acc shares)	3.0195pps	

Sid Chand-Lall and Giles Hargreave  
13 September 2013

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**TOP TEN HOLDINGS AS AT 31 JULY 2013**

	<b>%</b>
Polar Capital Holdings	1.87
Cineworld Group	1.78
Talk Talk Group	1.66
Keller Group	1.58
Persimmon	1.50
Telecom Plus	1.42
PayPoint	1.41
Smiths News	1.41
Majestic Wine	1.36
Atkins (W S)	1.34

**TOP TEN HOLDINGS AS AT 31 JULY 2012**

	<b>%</b>
Talk Talk Telecom Group	2.04
RPC Group	1.96
Cineworld Group	1.68
Atkins (W S)	1.66
Restaurant Group (The)	1.59
Majestic Wine	1.45
Booker Group	1.45
Greene King	1.44
Jardine Lloyd Thompson Group	1.42
Menzies (John)	1.40

**THE MARLBOROUGH NO 2 OEIC**  
**MARLBOROUGH MULTI CAP INCOME FUND**

**Material Portfolio Changes**

For the year ended 31 July 2013

Major Purchases	Cost (£)	Major Sales	Proceeds (£)
Keller	4,477,331	Greencore Group	3,845,144
Alternative Networks	4,474,891	WH Smith	3,343,748
Big Yellow Group	4,344,614	Vodafone Group	2,502,362
DCC	4,229,203	Debenhams	2,444,075
Atkins (WS)	4,122,545	National Grid	2,433,190
Regus	4,109,511	BP	2,374,621
St James's Place	3,863,168	Laird	2,368,995
Inchcape	3,751,609	Halfords	2,254,956
Amec	3,745,043	Next	2,090,805
SSE	3,716,385	Astrazeneca	2,064,618
Abbey Protection	3,708,003	GlaxoSmithKline	2,038,364
LondonMetric Property	3,705,151	MDM Engineering Group	1,943,203
Tarsus Group	3,541,328	UBM	1,938,361
Smith News	3,472,097	Informa	1,933,354
Aberdeen Asset Management	3,376,532	Croda International	1,909,023
Fenner	3,368,930	Bloomsbury Publishing	1,892,639
Babcock International	3,318,247	Balfour Beatty	1,659,245
Staffline Group	3,297,867	United Drug	1,596,015
Close Brothers Group	3,225,279	Devro	1,587,454
Ashley (Laura) Holdings	3,217,632	RSA Insurance Group	1,569,332
Headlam Group	3,091,946		
XP Power	3,067,335		
Majestic Wine	3,018,902		
Consort Medical	3,010,500		
Esure	2,994,196		
Persimmon	2,928,667		
Galliford Try	2,904,114		
PayPoint	2,858,644		
Other purchases	211,158,268	Other sales	58,057,073
Total purchases for the year	310,097,938	Total sales for the year	101,846,577

**THE MARLBOROUGH NO 2 OEIC**  
**MARLBOROUGH MULTI CAP INCOME FUND**

**FUND FACTS**

**Launched Class A Shares (Income and Accumulation)** 13 June 2011 at 100p  
 On 3 November 2011 Class B Shares (Income and Accumulation) became available.  
 On 31 December 2012 Class P Shares (Income and Accumulation) became available.

<b>Accounting Dates</b>	(Final)	31 July
	(Interim)	31 January
<b>Distribution Dates</b>	(Final)	30 September (previously 30 November)
	(Interim)	31 March

<b>Minimum Investment</b>	Class A	£1,000
	Class B	£50,000
	Class P	£1,000,000

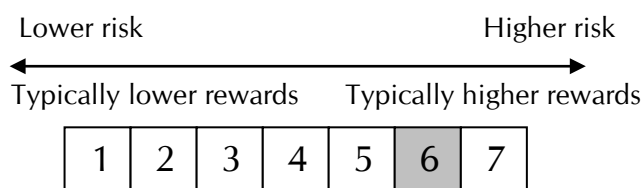
**IMA Sector** UK Equity Income

**Ongoing Charge Figure as at 31 July 2013** Class A 1.53% Class B 1.03% Class P 0.80% \*\*  
**Ongoing Charge Figure as at 31 July 2012** Class A 1.64% Class B 0.92% \*  
 \* period 5 December 2011 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.

**THE MARLBOROUGH NO 2 OEIC  
MARLBOROUGH MULTI CAP INCOME FUND**

**SUMMARY OF FUND PERFORMANCE**

Share Class	Share Type	Year	Highest Price	Lowest Price	Distribution Per Share
Class A	Income	2011	100.60p	88.34p	n/a
Class A	Income	2012	109.59p	93.39p	4.7060p
Class A	Income	2013*	131.97p	110.91p	5.5796p
Class A	Accumulation	2011	100.60p	88.34p	n/a
Class A	Accumulation	2012	114.97p	93.39p	4.7360p
Class A	Accumulation	2013*	141.68p	116.36p	5.9257p
Class B	Income	2011	93.61p	90.80p	n/a
Class B	Income	2012	110.21p	93.50p	4.7050p
Class B	Income	2013*	133.13p	111.56p	5.5806p
Class B	Accumulation	2011	93.61p	90.80p	n/a
Class B	Accumulation	2012	110.21p	93.50p	n/a
Class B	Accumulation	2013*	136.24p	111.56p	5.6801p
Class P	Income	2013*	132.50p	110.91p	5.5934p
Class P	Accumulation	2013*	135.61p	110.91p	5.6626p

\* up to 31 July 2013

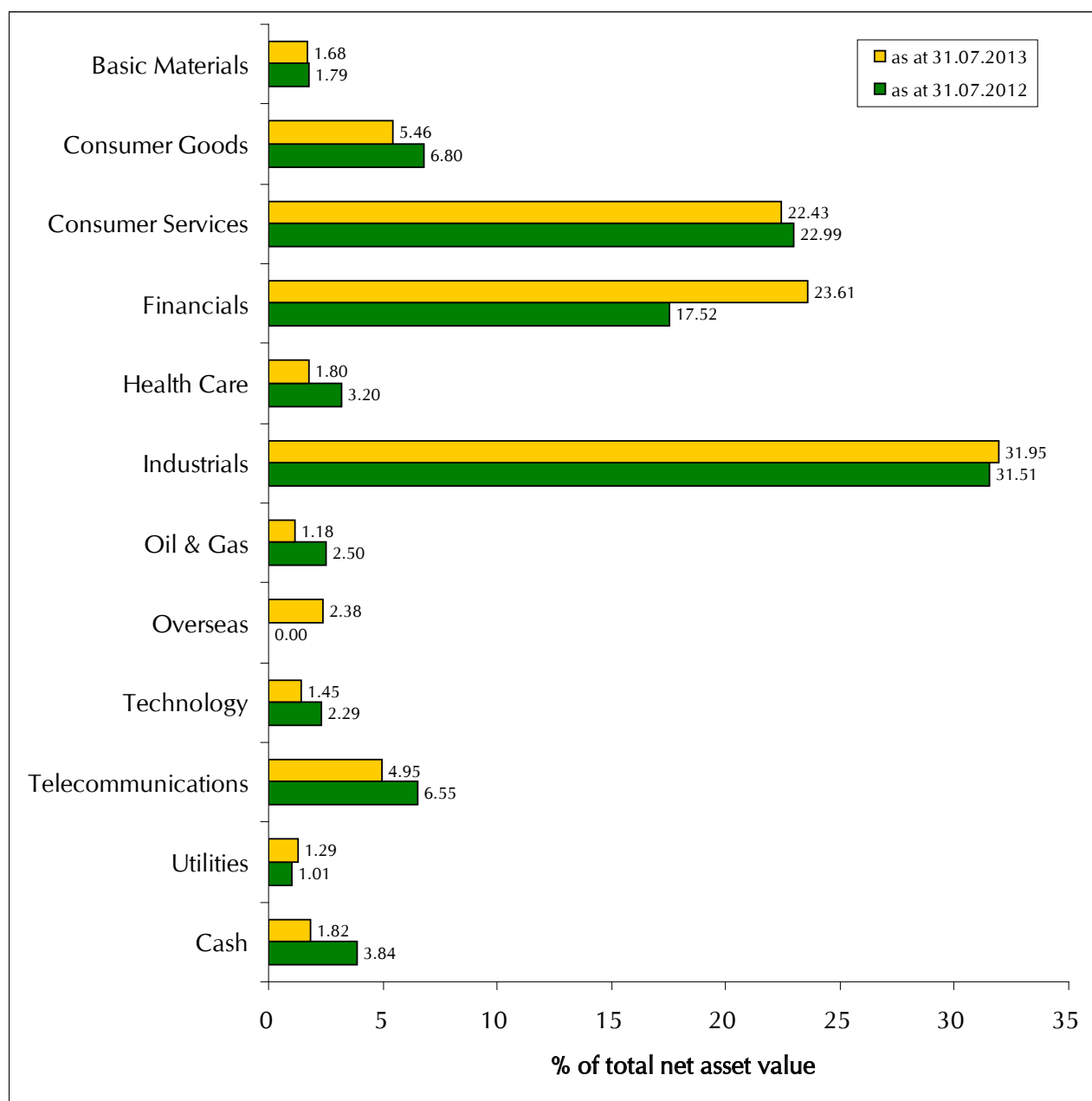
		Net Asset Value of Scheme Property	Net Asset Value per Share	
			Income	Accumulation
31 July 2012	Class A	£140,600,030	97.88p	102.70p
31 July 2012	Class B	£1,928,554	98.25p	-
31 July 2013	Class A	£376,724,836	128.34p	140.95p
31 July 2013	Class B	£9,214,579	129.47p	135.53p
31 July 2013	Class P	£40,921,890	128.86p	134.90p

**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.

THE MARLBOROUGH NO 2 OEIC  
MARLBOROUGH MULTI CAP INCOME FUND

PORTFOLIO BREAKDOWN



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