



Marlborough Special Situations Fund

Short Report

For the period from 21st December 2012 to 20th December 2013

Fund Details
Marlborough Special Situations Fund

Manager and Registrar
Marlborough Fund Managers Ltd
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 Ltd

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

MARLBOROUGH SPECIAL SITUATIONS FUND

GENERAL INFORMATION

Investment Objective	The investment objective is to achieve capital growth by following a speculative policy investing in smaller companies, new issues and companies going through a difficult period but with good recovery prospects. The Scheme is marketable to all retail investors. The Scheme may invest in derivatives and forward transactions for the purposes of hedging only.
Risk Profile	The Fund can invest in any quoted market in the world and indeed can buy unquoted stock. However 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 150 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 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.
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	<p>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.</p> <p>Up to date key investor information documents, the prospectus and manager's reports and account for any fund within the manager's range can be requested by the investor at any time.</p>

MARLBOROUGH SPECIAL SITUATIONS FUND

AUTHORISED INVESTMENT ADVISER'S REPORT

For the year ended 20 December 2013

	<u>Six months</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>	<u>Since 01.07.1998**</u>
Marlborough Special Situations Fund	19.61%	33.35%	60.10%	255.96%	1,695.48%
Quartile Ranking*	3	3	3	1	1

*Based on ranking within UK Smaller Companies Sector

** Giles Hargreave appointed as Investment Adviser 01.07.1998 (Fund launched 12 July 1995)

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



Giles Hargreave

The second half of the year reflected our bullish view of the small cap sector. Over the half year, the unit price of the A units rose 19.61% from 795.58p to 951.57p, which made the year's rise an impressive 33.35%, albeit slightly below the sector average.

During the year the whole sector remained in favour and in our portfolio gains exceeded losses by a ratio of 3.5 to 1. Sentiment to the sector improved with the UK economy, as investors became more enthusiastic about domestic stocks.

Major winners included recovery stocks, Pressure Technology, AGA and Renold, up 168%, 100% and 95% respectively, and many growth stocks, in particular Top Level Domain, First Derivative, SuperGroup, eServGlobal, and Topps Tiles, all up 75% or more.

Looking forward, a switch back to small caps after many years of capital withdrawal from the sector seems to be in train and not surprisingly 2014 has started well. With domestic stocks so much in favour, we may have another strong year.

Distributions

		Year 2014	Year 2013	Year 2012	Year 2011
Class A					
Net income paid 20 February	(acc units)	0.5525ppu	3.4551ppu	0.7451ppu	0.7431ppu
Net income paid 20 August	(acc units)		2.0785ppu	1.5981ppu	0.7235ppu
Class B					
Net income paid 20 February	(acc units)	2.7965ppu	4.7160ppu	1.3574ppu	2.9595ppu
Net income paid 20 August	(acc units)		4.0736ppu	3.0565ppu	2.2660ppu
Class P					
Net income paid 20 February	(acc units)	3.8331ppu			
Net income paid 20 August	(acc units)		4.7722ppu		

Giles Hargreave
11 February 2014

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MARLBOROUGH SPECIAL SITUATIONS FUND

Material Portfolio Changes

For the year ended 20 December 2013

Major Purchases	Cost (£)	Major Sales	Proceeds (£)
Bank of Georgia	6,020,763	Ashtead Group	7,290,847
XP Power	4,917,430	Speedy Hire	6,421,162
Redrow	4,858,259	Smith (DS)	5,539,036
Debenhams	4,711,882	Anite	5,329,822
Restore	4,671,749	United Drug	5,068,950
Mears Group	4,595,929	Bank of Georgia	4,989,814
Xaar	4,307,071	Paddy Power	4,890,564
Dixons Retail	4,282,646	Iofina	4,600,883
SuperGroup	4,183,264	Debenhams	4,138,487
Ricardo	4,105,794	Devro	4,059,667
Workspace	4,029,042	Halfords	4,059,053
Dart Group	3,646,302	Micro Focus International	4,004,822
TT Electronics	3,477,930	Brammer	3,976,145
Innovation Group	3,309,547	Oxford Instruments	3,961,247
NewRiver Retail	3,170,615	Kcom Group	3,826,699
Kentz Corporation	2,980,497	Endace	3,575,000
Jupiter Fund Management	2,975,003	Wandisco	3,531,604
Monitise	2,954,511	Anglo Pacific Group	3,455,525
Northgate	2,954,022	Morgan Advanced Materials	3,035,202
Caretech Holdings	2,945,469	St James's Place	3,033,953
Other purchases	170,554,687	Other sales	127,633,365
Total purchases for the year	249,652,412	Total sales for the year	216,421,847

TOP TEN HOLDINGS AS AT 20 DECEMBER 2013 TOP TEN HOLDINGS AS AT 20 DECEMBER 2012

	%		%
Advanced Computer Software	1.42	RPC Group	1.68
RPC Group	1.42	Elementis	1.57
Booker Group	1.34	Ocean Wilsons Holdings	1.38
TT Electronics	1.31	Cove Energy	1.36
Telecom Plus	1.25	Melrose	1.35
Restore	1.22	Anite	1.30
Amerisur Resources	1.18	Advanced Computer Software	1.25
Melrose Industries	1.17	Hargreaves Services	1.15
Dixons Retail	1.16	Anglo Pacific Group	1.12
Sports Direct International	1.13	Domino Printing Sciences	1.06

MARLBOROUGH SPECIAL SITUATIONS FUND

FUND FACTS

Launched Units

12 July 1995 at 50p

Income units were converted to accumulation units on 24 April 2009 on a 1:1 basis.

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

Accounting Dates	(Final)	20 December
	(Interim)	20 June

Distribution Dates	(Final)	20 February
	(Interim)	20 August

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

IMA Sector	UK Smaller Companies
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Ongoing charge as at 20 December 2013

Class A 1.55%, Class B 1.07%, Class P 0.80%*

Ongoing charge as at 20 December 2012

Class A 1.56%, Class B 1.05%

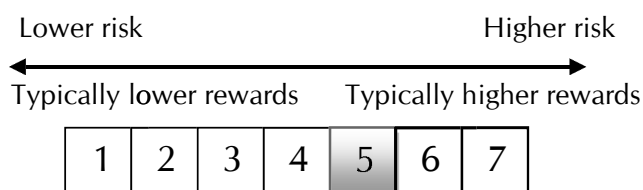
*period from 31 December 2012 to 20 December 2013

The ongoing charge figure is based on expenses for the year, except Class P, where the expenses are for the period 31 December 2012 to 20 December 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 5 because it has experienced significant high volatility historically.

MARLBOROUGH SPECIAL SITUATIONS FUND

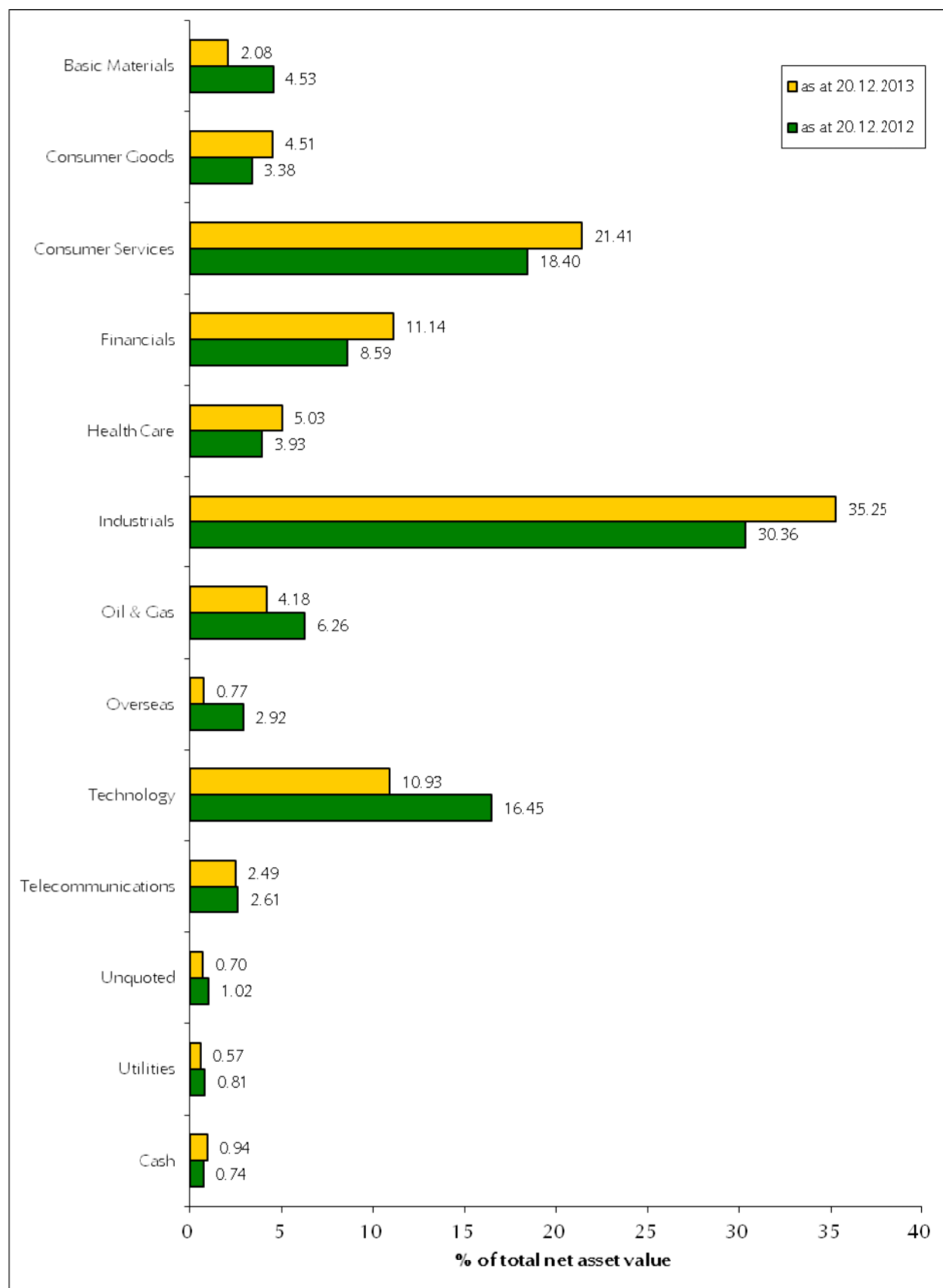
SUMMARY OF FUND PERFORMANCE

Class Type	Year	Highest Price	Lowest Price	Distribution Per Unit
Class A	2008	487.77p	265.68p	2.9082p
Class A	2009	465.52p	267.38p	2.5441p
Class A	2010	641.06p	418.23p	1.3385p
Class A	2011	725.96p	557.96p	1.4686p
Class A	2012	759.53p	584.78p	5.0532p
Class A	2013*	1006.95p	728.59p	2.6310p
Class B	2009	454.39p	405.43p	1.4759p
Class B	2010	621.48p	421.97p	5.3972p
Class B	2011	704.72p	578.70p	3.6234p
Class B	2012	740.36p	607.64p	7.7725p
Class B	2013*	986.38p	742.21p	6.8701p
Class P	2013*	975.99p	726.64p	8.6053p

*(up to 20 December 2013)

	Class Type	Net Asset Value of Scheme Property	Net Asset Value Per Unit
20 December 2011	Class A	£355,640,718	571.77p
20 December 2011	Class B	£22,226,475	578.65p
20 December 2012	Class A	£487,593,417	702.22p
20 December 2012	Class B	£29,562,708	711.82p
20 December 2013	Class A	£567,674,202	940.50p
20 December 2013	Class B	£12,147,217	957.83p
20 December 2013	Class P	£155,191,045	947.77p

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
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