



MFM BOWLAND FUND

Short Report
For the year ended 31st March 2014



Fund Details
MFM Bowland Fund

Manager and Registrar

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

Authorised and regulated by the Financial Conduct Authority

Customer Support: (0808) 145 2500 (FREEPHONE)

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

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

Authorised and regulated by the Financial Conduct Authority

Auditors

CLB Coopers
Laurel House
173 Chorley New Road
BOLTON
BL1 4QZ

MFM BOWLAND FUND

GENERAL INFORMATION

Investment Objective

The investment objective is to achieve capital growth, with a moderate level of risk by investing in the shares of companies both in the UK and overseas, but concentrating mainly on UK shares. Other investments including bonds and warrants within the limits imposed by COLL can be used where it is considered that they meet the investment objectives. It is also intended, where appropriate, to take advantage of underwriting and placings. The scheme may invest in derivatives and forward transactions but only for hedging purposes.

Risk Profile

The portfolio is primarily invested in a diversified portfolio of UK equities which carry risks such as market price risk and liquidity risk. These risks are monitored by the investment adviser in pursuance of the investment objectives as set above. In addition to the UK equity shares the portfolio holds overseas equities which carry an additional currency risk. The Fund may also invest in derivatives and forward transactions for the purpose of hedging with the aim of reducing the Fund's risk profile. The investment advisor having considered the portfolio believes that its composition has a prudent spread of risk.

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. Changes in exchange rates between currencies may cause the value of the investment to diminish or increase. 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:

On 1 April 2014 the investment adviser was changed from Slater Investments Limited to Hargreave Hale Ltd. On the same date the annual management charge was changed from 3% to 1.85% on the first £1,500,000 and 1.8% to 0.65% on the remainder.

Up to date key investor information documents, prospectus and manager's report and accounts for any fund within the manager's range, can be requested by the investor at any time.

MFM BOWLAND FUND

AUTHORISED INVESTMENT ADVISER'S REPORT

For the year ended 31 March 2014

Percentage change and sector position to 31 March 2014

	<u>Six months</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>	<u>Since Launch**</u>
MFM Bowland Fund	19.42%	23.13%	11.84%	137.80%	200.22%
Quartile Ranking*	1	1	4	2	1

* Based on ranking within IMA UK All Companies Sector

** 12 July 1999

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

During the year ended 31 March 2014 the units have gained in value by over 23% as shown above and this is clearly a good performance both in absolute terms and relative to the investment sector which is an appropriate comparison.

Hargreave Hale have recently been appointed managers of this fund and were not the managers for the period covered in this report. We do not believe it would be very useful for us to comment on someone else's efforts and will therefore use this commentary to introduce ourselves and the strategy we will adopt when managing the fund's investments.

Hargreave Hale is a fund management house as well as a private client broker. We were established over 100 years ago and still have a founding family member as our chief executive. The business was previously a partnership but incorporated in 2001 at the time that Investec purchased a stake in the business. Ownership has largely remained the same since but funds under management have increased substantially as the business continues to build on its leading presence in the UK Smaller Company investment sector. Our core investment universe is very similar to the previous manager and it is our expertise in this field that led to our appointment.

Given the history of the fund and the desire to maintain a similar profile going forward it is not our intention to dramatically alter the broad spread of assets. We will actively position ourselves across the market capitalisation spectrum, but the fund will still be significantly weighted towards the smaller company segment given its growth mandate. We strongly believe in the attractions of owning small parts of quoted UK companies and will not detract from this with lots of alternative investments.

Before we speak of the attractions of share ownership we ought to highlight the risks. There is very little control that one has over the absolute returns that one can obtain from investments in the stock market. There is an expectation that by participating in profits at a higher return than nominal returns from other asset classes that one will be rewarded in time. However, the value placed on these expectations changes markedly from one period to the next, as investor sentiment is generally fickle and company performance not entirely predictable. Bearing this in mind we look for mitigating factors to offset the risks that are inherent in our investment process. We are looking for qualities that we can fall back on should our assumptions prove incorrect. We will be conscious in our overall allocation decisions as to the degree of investments which are constrained in terms of quality because of their size, liquidity, earnings rating, balance sheet or operational history. We are going to participate in these types of investments because the returns on offer are much higher if our judgment proves correct, but it is our intention to contain activity in this area in order to provide some balance against the fund's risk profile. There are currently approximately fifty individual holdings, and for a fund of this size we think this is roughly the right spread of interests. There has been some consolidation of holdings in the short period of our management, and it is our intention to maintain a greater level of equilibrium between the holdings than the historic position. We do not wish to generally retain particularly small or particularly large positions, as in the first instance it is of little use to performance and in the second instance presents too great a risk in terms of disappointment.

AUTHORISED INVESTMENT ADVISER'S REPORT (CONTINUED)

Current investment conditions are mixed. After rapid years of progress for the developing world followed by a marked period of decline for the West the global economy appears to be converging to one of mild growth, low inflation and continued support in terms of loose monetary policy. Over the last couple of decades the influences of technology and globalisation have massively changed the trade position and productivity of many established economies. This process continues and its concluding influences are unknown. Mature economies have become much more dependent on leverage and the service sector than at any point in history. These influences will be around for a long time, leading to a situation where it becomes difficult to judge the timing of negative consequences from these changes in economic mix. It is therefore our expectation that sentiment will remain fragile. This fragility is something to acknowledge but not to fixate upon. Returns on notionally safe investments are generally at the same level or below the rates of inflation. The returns on offer from the stock market are superior even adjusting for the risks inherent in fluctuating capital values. People add value and it is our aim to back management teams to improve the positioning of the companies they run. Even without general economic momentum we see many situations where management effectively position a business to improve revenues and profits. It is this improvement we seek to participate in as ultimately a company that grows should achieve a higher value for its owners in time.

Our investing has been done in the period that will be commented on in the next report, but there are a number of holdings held in the fund during this period that fit our criteria and will be a feature of the portfolio going forward.

Disney, the large multinational media group focused on TV channels, theme parks, media production and consumer goods. This investment is appealing both in terms of the growth we expect as the company continues to leverage its extensive ownership of media rights, as well as its forecast cash generation which should enable enhanced returns to shareholders. Disney have been through quite a heavy investment period both in terms of upgrading parks as well buying media rights. We now expect a period where it focuses on the returns of these investments as it has largely established its global footprint as well as a huge array of leading family media content. Although the earnings multiple is full it is not inconsistent with the past or with the wider market. We therefore feel there is an opportunity to benefit from the superior returns that Disney should generate.

XP Power, a leading manufacturing and distributor of specialist power converters. These distribution units are similar to the types of boxes you would observe along a power lead for a consumer product like a laptop power supply. The box regulates the power down to a level suitable for the device. XP do not look to target the mass market but the smaller industrial markets that service larger electrical equipment manufacturers. Growth is coming from vertical integration of its supply chain which is improving margins, as well as taking market share through a successful sales and support network which is superior to competitors. We expect these trends to continue. Management's interests are highly aligned with shareholders, given their own personal stakes in the company. The balance sheet is very clean and the above average dividend yield well covered by earnings. The company is likely to generate excess cash over the coming years and this will either be returned to shareholders or reinvested into the business, boosting shareholder returns.

Advanced Medical, a manufacturer of sealants and dressings to assist in the healing of wounds. This small UK business has successfully transformed itself from a third party manufacturer to a developer and owner of its own brands and products. This type of transition story is not uncommon and it is a theme we like to participate in. Businesses that observe additional areas of a market they already operate in and then exploit effectively for the overall improvement in the quality of their own business have been good places to invest in. After a period which witnessed significant business development for Advanced Medical the share price marked time, as the company consolidated their position and bedded in a significant acquisition. We now feel this period has come to an end and whilst the shares are not cheap the excess cash that the company is likely to generate should lead to enhanced returns for shareholders. The management team have been with the business for a long time and have delivered. We are happy to continue backing them at a time when Advanced Medical's resources are the strongest they have ever been.

MFM BOWLAND FUND

AUTHORISED INVESTMENT ADVISER'S REPORT (CONTINUED)

In the updates to come we will comment on performance, transactions as well as the rationale for new investments. We continue to reposition the portfolio from the list of holdings received at the end of March and expect to complete this process during the current interim period finishing September 2014.

Leon Shuall - Investment Manager
Hargreave Hale Limited
9 May 2014

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Portfolio Changes

For the year ended 31 March 2014

Major Purchases	Cost £	Major Sales	Proceeds (£)
Restore	207,112	Entertainment One	789,469
Marston's	198,508	Hutchison China Meditech	732,231
Walt Disney	176,146	Dialight	366,884
Communis	174,415	Quindell Portfolio	286,282
Mears Group	171,369	Diploma	247,928
Photo-Me International	171,015	Andor Technology	209,821
Bellway	170,882	Domino's Pizza Group	177,157
Regus	167,275	Cape	166,814
Soco International	149,027	Chemring Group	165,665
STV Group	128,351	NCC Group	150,320
Lok'n Store Group	128,137	Oxford Instruments	142,107
Galliford Try	126,428	Advanced Medical Solutions Group	138,273
NetPlay TV	98,978	Fortuna Ventures	132,298
Benchmark Holdings	89,600	XP Power	129,977
Lavendon Group	85,321	Cathay International Holdings	125,336
Redrow	83,810	Centrica	124,563
Bovis Homes Group	83,692	ETFS Physical Silver	111,912
Next Fifteen Communications Group	82,474	British Sky Broadcasting Group	108,539
Barratt Developments	81,728	CML Microsystems	103,491
Smith (DS)	80,882	Lonrho	102,500
Other purchases	699,735	Other sales	588,405
Total purchases for the year	3,354,885	Total sales for the year	5,099,972

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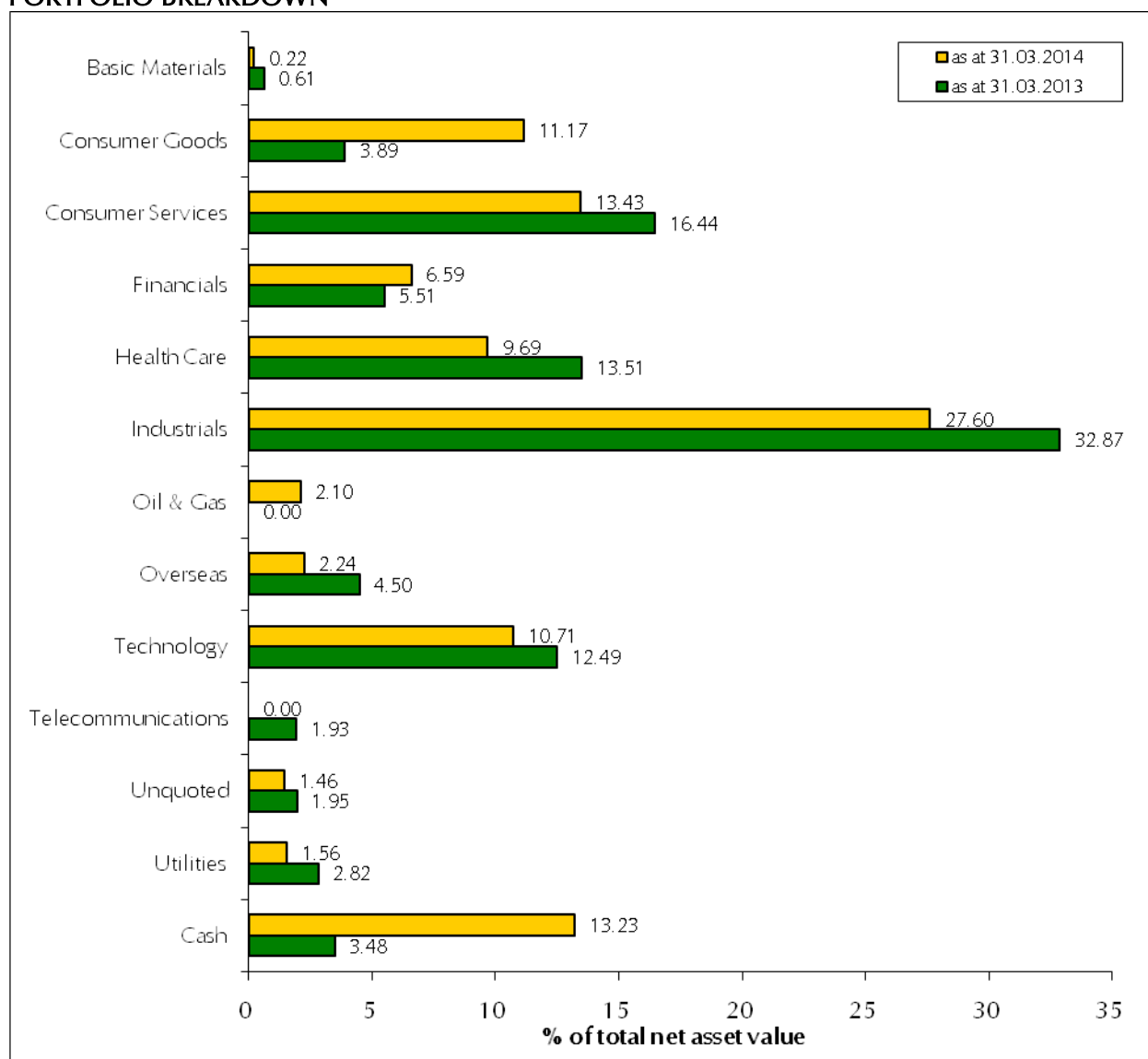
TOP TEN HOLDINGS AS AT 31 MARCH 2014

	%
Hutchison China Meditech	5.64
Restore	3.23
Ocean Wilson Holdings	3.00
Entertainment One	2.96
CML Microsystems	2.79
NCC Group	2.65
Photo-Me International	2.54
Alliance Pharma	2.44
Mears Group	2.27
Avation	2.10

TOP TEN HOLDINGS AS AT 31 MARCH 2013

	%
Hutchison China Meditech	9.44
Entertainment One	8.32
Dialight	5.62
Oxford Instruments	3.86
Ocean Wilson Holdings	3.60
NCC Group	3.57
CML Microsystems	3.34
Alliance Pharma	2.90
Cape	2.54
Diploma	2.46

PORTFOLIO BREAKDOWN



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Authority and a member of IMA