MFM Slater OEIC

Short Report

For the period from 1st May 2012 to 30th April 2013

Slater Investments Ltd

MARLBOROUGH
Fund Managers Limited

Fund Details
MFM Slater OEIC

Registered Office
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59 Chorley New Road
Bolton BL1 4QP

Authorised Corporate Director and Registrar
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Bolton BL1 4QP

Customer Support: (0808) 145 2500 FREEPHONE

Authorised and regulated by the Financial Conduct Authority

Depositary
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London
E14 5HQ

Authorised and regulated by the Financial Conduct Authority

Investment Adviser
<u>MFM Slater Income Fund</u>
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Authorised and regulated by the Financial Conduct Authority

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

GENERAL INFORMATION

Investment Objective

The investment objective of the Fund is to produce an attractive and increasing level of income while additionally seeking long term capital growth by investing predominantly in the shares of UK listed companies across the full range of market capitalisations, including those listed on the Alternative Investment Market (AIM). From time to time the Fund may also hold the shares of companies listed overseas as well as cash, money market instruments, the units of collective investment schemes, bonds and warrants as permitted by the rules applicable to UCITS schemes and the Prospectus. It is intended that the assets of the Fund will be managed so that it is eligible for quotation in the Investment Management Association's UK Equity Income sector. The Fund has powers to borrow as specified in the FCA Collective Investment Schemes Sourcebook and may use derivatives for hedging and efficient portfolio management purposes only.

Risk Profile

The principal risk the Fund faces through the holding of financial instruments is market price risk. The Fund aims to reduce its risk through a diversified portfolio of investments. Liquidity risk is reviewed monthly by the Authorised Corporate Director (ACD). The ACD does not consider that the Fund has significant exposure to credit risk or interest rate 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. 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. The Fund may use derivatives to protect the value of the Fund's assets or to reduce the cost of investing, although this may not be achieved. It is not anticipated that the use of derivatives will have any significant effect on the risk profile of the Fund. To ensure that the principal objective of providing an above average and subsequently increasing level of income can be met, the annual ACD's charge is deducted from capital rather than income. Future capital growth may be constrained as a result.

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 shares became available for purchase.
Also from that date, the authorised corporate director's charge and depositary fees are calculated on a daily basis.

AUTHORISED INVESTMENT ADVISER'S REPORT

For the year ended 30 April 2013

Percentage change and sector position to 30 April 2013

	Six months	1 year	Since launch**
MFM Slater Income Fund	14.30%	23.01%	33.52%
Quartile Ranking*	2	2	2

*Based on ranking within UK Equity Income Sector
**19 September 2011
External Source of Economic Data: Morningstar (mid to mid, net income reinvested)

After a strong run in the first few months of 2012, stockmarkets peaked in March as the Greek crisis spread to Spain and investors went into "risk off" mode again. By late May / early June the FTSE 100 was down 9% from March's levels. The stockmarket rallied 5% in June though many small and medium sized companies drifted. Apart from a brief wobble during July, markets rose steadily in anticipation of the third round of Quantitative Easing.

In October, the UK economy technically emerged from recession with modest 0.5% GDP growth being reported for the third calendar quarter. However, corporate earnings increasingly reflected the impact of the slowdown in Europe and China. Euphoria following the US Presidential election result was short-lived and investors shifted their focus instead to the looming "fiscal cliff," downgraded Eurozone growth prospects and renewed concerns about Spanish and Greek debt. These issues saw markets fall to their lowest levels since July. However, the finalisation of a new rescue package for Greece led to a strong rally.

Political wrangling in the US ahead of the "fiscal cliff" led to some jitters towards the end of December but a temporary resolution to the problem, deferral, and a barrage of upbeat global economic data helped push Eurozone concerns firmly into the background. The bizarre and inconclusive outcome of the Italian general election, which would have triggered a major correction a year earlier, was shrugged off within two days. Similarly, the crisis in Cyprus, resulting in bank depositors bailing out banks, only led to a small pull-back in mid-March. The very positive tone in equity markets led to significant flows of investor cash out of deposits and into stocks which continued to the end of April.

The Fund launched its offer period on 19th September 2011. Initially, market conditions were challenging, not least a 10% rally in the FTSE All-Share index between 4th and 10th October when the Fund held a significant amount of cash. However, by the beginning of the period under review (1st May 2012) the Fund was 93% invested. The cash position was down to 2.5% by the end of the 2012/13 financial year.

It is worth recapping the Fund's objective and the way in which the portfolio has been invested. The Fund aims to provide investors with at least 110% of the FTSE All-Share's average dividend yield. At 19 June 2013 the index yielded 3.72%, making our target 4.09%. The Fund's equity investments yielded 4.43% on 19th June 2013 with 4.66% in prospect over the next twelve months. The dividends paid during the financial year are set out on page 21 and page 22.

The MFM Slater Income Fund invests across the market cap spectrum in companies that offer the prospect of attractive and growing dividends as well as capital growth upside. With 90% of the high yield universe outside the FTSE 100, we see no logic in restricting ourselves to large cap high yielders as many income funds choose to do. So long as we can achieve reasonable aggregate liquidity, we prefer to invest on the basis of value, not size. At the 30th April 2013, the portfolio was 24.9% invested in FTSE 100 companies, 38.5% in the Mid 250, 18.1% in the Small Cap and Fledging Index, 3.9% in other companies on the Full List, 9.0% in AIM companies, non index companies 3.1% and 2.5% in cash .

AUTHORISED INVESTMENT ADVISER'S REPORT (CONTINUED)

In earlier reports we have explained that the portfolio is broadly divided into three categories: growth companies with attractive yields; dividend stalwarts with earnings pointing upwards; and high yielders with more cyclical upside whose earnings have at least reached a degree of stability. This report will examine each category in turn, focusing on the second half of the financial year.

The first category, growth companies with attractive yields, was the strongest during the period. These businesses are typically growing their earnings at an above average rate and often boast attractive PEG (Price / Earnings Growth) ratios as well. Their earnings growth rates are steady and reliable as opposed to dynamic, usually in the 8-12% per annum range.

The standout growth company performers in the second half included several that also performed strongly in the first half. Mail order and internet retailer N Brown gained 31% (+1% contribution) in the second half, building on a first half gain of 46%. We expect earnings and dividend growth to accelerate in the coming years. Aberdeen Asset Management, which rose 34% in the first half, put on a further 34% (+1.23% contribution) in the second. The Board has confirmed that surplus cash will be returned to shareholders going forward. William Hill is increasingly becoming an online gaming business. This process was accelerated by two substantial acquisitions, funded by a rights issue, in the second half. The shares gained 24% (+0.98% contribution). Arbuthnot, the private bank, saw its shares put on a further 40% (+0.74% contribution). The company, and its listed subsidiary Secure Trust, is strongly capitalised and well-placed to gain market share.

Other impressive performers amongst the Fund's growth company investments in the second half included Restaurant Group (up 26%, +0.62% contribution), Moneysupermarket (up 44%, +0.93% contribution), Inmarsat (up 23%, +0.64% contribution), Cineworld (up 18%, +0.46% contribution), John Menzies (up 19%, +0.49% contribution), Marston's (up 15%, +0.44% contribution) and Provident Financial (up 18%, +0.38% contribution). 4Imprint, which was bought during the first half, gained 43% and contributed 0.50% to overall returns. It was pleasing to see IG Group and BSkyB pick up after relatively lacklustre first half performances, gaining 21% and 11% respectively, contributing +0.52% and +0.35%.

Though British American Tobacco rose 16% (+0.31% contribution), Imperial Tobacco slipped 2% as the company's higher level of European exposure exercised investors. Other laggards in the growth category included William Sinclair (up less than 1% owing to the impact of exceptional rainfall on sales of gardening products) and RPC Group (down 6% owing to currency movements and soft European markets). City of London Investment Group fell 13% (-0.26% contribution) as profits fell following the loss of a large mandate. However, the dividend was not reduced.

The second category, dividend stalwarts, produced positive results. GlaxoSmithKline appreciated by 20% during the second half, contributing +0.73% to returns. AstraZeneca rose 15% (+0.45% contribution) while Centrica gained 14% (+0.31% contribution), National Grid gained 15% (+0.33% contribution), Vodafone put on 15% (+0.39% contribution) and New River Retail rose 14% (+0.28% contribution). KCOM gained 11% (+0.29% contribution) and the board announced after the period end its commitment to increase the dividend by 10% until 2016.

Laggards in this category included Paypoint (which rose 2% in the second half following a more impressive 27% first half performance) and Royal Dutch Shell which rose 0.5%.

The third category saw many companies making meaningful gains. These high yielding companies have more cyclical upside potential with the important caveat that we believe their earnings have reached a degree of stability. These are not aggressive recovery plays. Instead, they are solid businesses that offer the prospect of significant earnings growth when the tide turns and a healthy yield while we wait.

AUTHORISED INVESTMENT ADVISER'S REPORT (CONTINUED)

Political intervention killed the putative merger of EADS and BAE Systems yet BAE shares continued to perform well in the second half, rising 18% (+0.72% contribution). Galliford Try continues to benefit from the bold decision to buy cheap land during the financial crisis. House prices are rising, costs are steady and Government funded schemes are beginning to create additional demand. The shares appreciated 32% (+1.03% contribution). Interserve gained 21% (+0.79% contribution) while Costain put on 15% (+0.45% contribution). Elsewhere, Cape gained 11% (+0.13% contribution) while two new holdings contributed nicely – Communisis (+0.38% contribution) and Harvey Nash (+0.32% contribution).

Several construction-related businesses that had performed strongly in the first half gave up their gains. Balfour Beatty warned that its UK construction operation needs radical surgery and the shares fell 33% (-0.71% contribution). Morgan Sindall reduced its dividend to conserve cash for investment purposes and its stock fell 14% (-0.25% contribution). Kier Group also fell 9%. The small holdings in Bloomsbury Publishing, Braemar Shipping and Centaur Media gave back 9%, 3% and 7% respectively. ICAP (down 14%, -0.17% contribution) continues to suffer as its banking clients reduce the scale of their activities.

The Fund continued to enjoy large cash inflows during the second half. As a result, many existing holdings were increased. In addition, new holdings were established in Harvey Nash, Town Centre Securities, Mckay Securities, De La Rue, Begbies Traynor, Vivendi, Communisis, Phoenix Group, Motivecom, Hydrogen and Hansteen. Partial profits were booked by reducing the large investments in Aberdeen Asset Management, Moneysupermarket and Arbuthnot. Meanwhile, six positions were sold in their entirety: IMI, Melrose and Diploma (after strong re-ratings); SkyWest (after a bid); and Aviva and Carillion after a reassessment of their prospects

We remain convinced that well-chosen equities are the best source of an attractive yield coupled with the prospect of capital growth and some degree of inflation protection. We believe the Fund is well-placed and like the balance provided by its spread of growth companies, solid cyclical and dividend stalwarts.

Distributions

	Year 2013	Year 2012
Class A		
Net income paid 31 March	0.9279pps	1.4053pps
Net income paid 30 June	1.3677pps	1.2475pps
Net income paid 30 September		1.4052pps
Net income paid 31 December		1.4134pps
Class B		
Net income paid 31 March	0.9329pps	1.4057pps
Net income paid 30 June	1.3798pps	1.2504pps
Net income paid 30 September		1.4095pps
Net income paid 31 December		1.4198pps
Class P		
Net income paid 31 March	0.9200pps	
Net income paid 30 June	1.3654pps	

Slater Investments Limited.
17 June 2013

TOP TEN HOLDINGS AS AT 30 APRIL 2013

	%
BAE Systems	3.56
GlaxoSmithKline	3.54
Galliford Try	3.36
William Hill	3.35
Interserve	3.25
Brown (N) Group	3.22
Aberdeen Asset Management	2.91
Menzies (John)	2.61
Inmersat	2.49
Cineworld Group	2.39

TOP TEN HOLDINGS AS AT 30 APRIL 2012

	%
Aberdeen Asset Management	3.59
GlaxoSmithKline	3.40
City of London Investment Group	3.35
British American Tobacco	3.08
Icap	2.69
BAE Systems	2.62
Sinclair (William) Holdings	2.57
William Hill	2.49
Moneysupermarket.com Group	2.32
Galliford Try	2.31

Material Portfolio Changes

For the year ended 30 April 2013

Major Purchases	Cost (£)
GlaxoSmithKline	607,910
BAE Systems	587,482
Marwyn Mgmt Ptnrs 10% PIK Nts 2015	520,000
Chemring	508,979
Amec	499,280
Phoenix Group holdings	485,160
Menzies (John)	471,529
Galliford Try	469,292
Vivendi	466,274
Aberdeen Asset Management	440,717
Interserve	433,605
Morgan Sindall Group	425,540
Costain Group	423,595
Marston's	417,089
City of London Investment Group	404,135
William Hill	402,036
Royal Dutch Shell 'B'	393,382
Centrica	389,839
Arbuthnot	374,966
British American Tobacco	371,656
AstraZeneca	367,448
NewRiver Retail	363,797
KCOM Group	361,258
Hansteen	350,659
Brown (N) Group	343,898
Inmarsat	338,946
Vodafone Group	336,380
Motivcom	329,293
IG Group Holdings	322,103
National Grid	320,387
Balfour Beatty	319,591
Bloomsbury	317,754

Major Sales	Proceeds (£)
Carillion	493,782
Amec	486,582
Aberdeen Asset Management	422,163
Phoenix IT Group	354,339
Imi	298,742
British American Tobacco	287,169
Melrose	239,816
Morrison (Wm) Supermarkets	234,022
MITIE Group	229,836
Ashmore Group	222,879
Diploma	216,690
Moneysupermarket.com Group	182,846
Skywest Airlines	147,813
National Grid	146,871
Imperial Tobacco Group	146,281
Aviva	120,155
Arbuthnot	108,545
Fiberweb	75,496

Material Portfolio Changes (continued)

Begbies Traynor	312,538		
Provident Financial	305,371		
Mckay Securities	304,869		
Cape	304,141		
Cineworld Group	295,450		
Greggs	286,853		
4imprint	285,556		
De La Rue	282,537		
Paypoint	265,114		
Sainsburys	264,419		
Communisis	264,297		
Harvey Nash	253,768		
Imperial Tobacco Group	242,541		
Phoenix IT Group	242,442		
Restauraunt Group	239,454		
British Sky Broadcasting Group	237,512		
Moneysupermarket.com Group	235,575		
Carillion	230,267		
Other purchases	2,002,656		
Total purchases for the year	20,019,340	Total sales for the year	4,414,027

FUND FACTS

Launched Income Shares 19 September 2011 at 100p
Class P became available for purchase on 31 December 2012.

Accounting Dates	(Final)	30 April
	(Interim)	30 July
	(Interim)	31 October
	(Interim)	31 January
Distribution Dates	(Final)	30 June
	(Interim)	30 September
	(Interim)	31 December
	(Interim)	31 March
Minimum Investment	Class A	£1,000
	Class B	£100,000
	Class P	£1,000,000
IMA Sector		UK Equity Income

FUND FACTS (CONTINUED)

Ongoing Charge Figure as at 30 April 2013 Class A 1.56% Class B 1.06% Class P 0.83%**
Ongoing Charge Figure as at 30 April 2012 Class A 1.53%* Class B 1.07%*
 * period 26 September 2011 to 30 April 2012
** period 31 December 2012 to 30 April 2013

The ongoing charge figure is based on expenses for the year, except as indicated above, where 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

Lower risk Higher risk

Typically lower rewards Typically higher rewards

1	2	3	4	5	6	7

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.

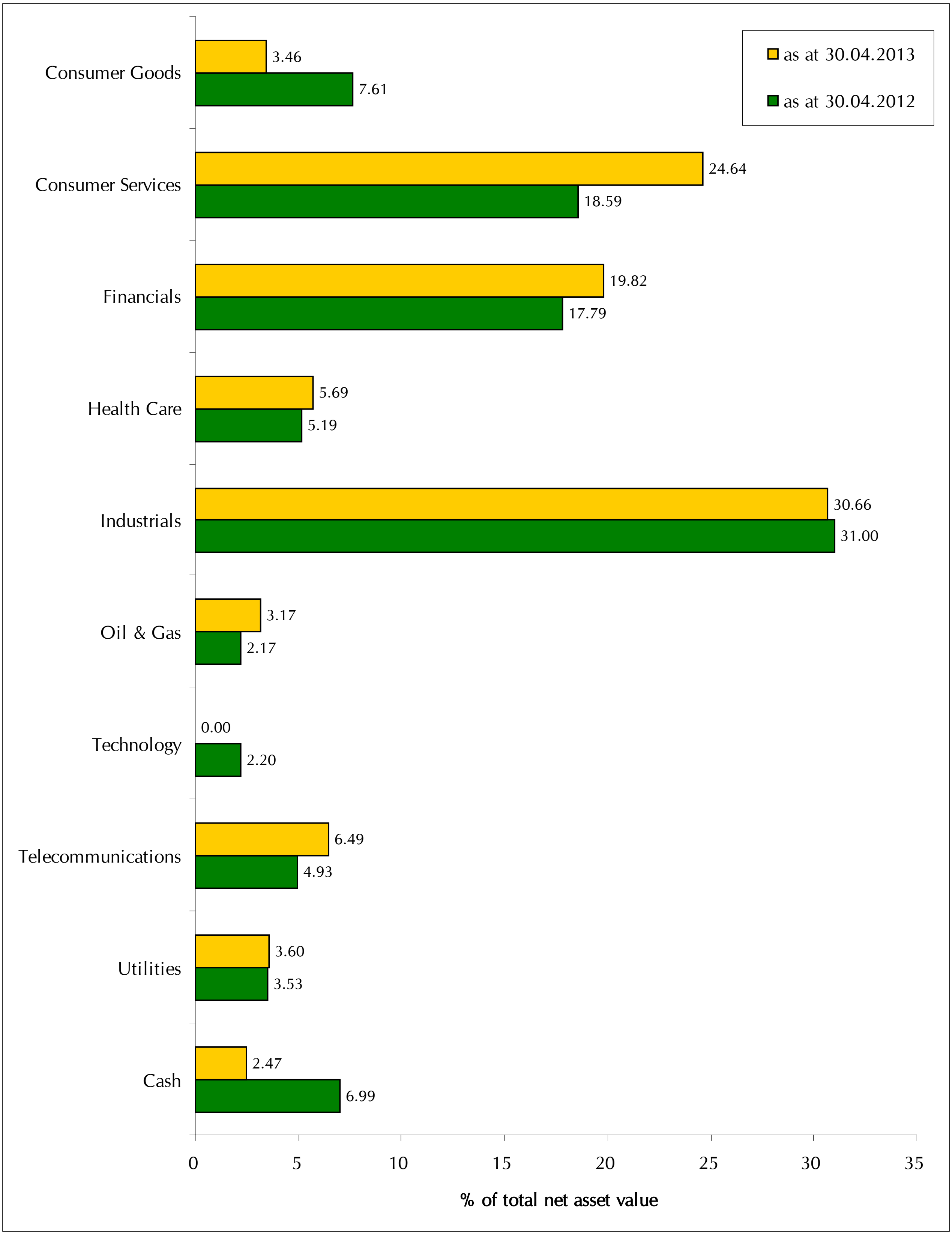
SUMMARY OF FUND PERFORMANCE

Share Type	Year	Highest Price	Lowest Price	Distribution Per Share
Class A				
Income	2011	104.31p	97.30p	-
Income	2012	112.52p	100.68p	5.4714p
Income	2013*	126.02p	113.00p	2.2956p
Class B				
Income	2011	104.34p	97.36p	-
Income	2012	113.06p	100.99p	5.4854p
Income	2013*	126.93p	113.64p	2.3127p
Class P				
Income	2013*	126.35p	113.00p	2.2854p

*up to 30 April 2013

		Net Asset Value of Fund	Income shares in issue	Net Asset Value Per Income Share
30 April 2012	Class A	£2,301,363	2,183,514	105.40p
30 April 2012	Class B	£9,057,145	8,569,218	105.69p
30 April 2013	Class A	£4,269,447	3,441,729	124.05p
30 April 2013	Class B	£28,108,088	22,494,602	124.95p
30 April 2013	Class P	£54,778	44,038	124.39p

PORTFOLIO BREAKDOWN



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