



Marlborough UK Primary Opportunities Fund

Short Report

For the period from 1st February 2013 to 31st January 2014

Fund Details

Marlborough UK Primary Opportunities Fund

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)

Depositary

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

RC Brown Investment Management PLC
1 The Square
Temple Quay
Bristol
BS1 6DG

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

GENERAL INFORMATION

Investment Objective

The Fund aims to provide you with a total return that is greater than that provided by the FTSE All-Share Index by investing in a concentrated portfolio of companies carefully selected from the full range listed on the London Stock Exchange, or its equivalent successor.

The Fund may invest in derivatives and forward transactions for the purposes of hedging only.

Risk Profile

The Fund has little exposure to credit or cash flow risk. There are no borrowings or unlisted securities of a material nature and so there is little exposure to liquidity risk. The main risks it faces from its financial instruments are market price and interest rate risk. The ACD reviews the policies for managing these risks in order to follow and achieve the investment objective as summarised above.

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.

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.

Change in Prospectus

No changes have been made since the last report.

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

AUTHORISED INVESTMENT ADVISER'S REPORT

For the year ended 31 January 2014

Percentage change and sector position to 31 January 2014

	<u>Six months</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>	<u>Since launch**</u>
Marlborough UK Primary Opportunities Fund	5.62%	11.11%	5.29%	99.96%	315.91%
FTSE All-Share	1.09%	10.10%	27.65%	100.91%	240.40%
Quartile Ranking*	2	3	4	3	1

The above performance is based on the Class A shares of the fund.

*Based on ranking within UK All Companies Sector

**5 January 1996

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

Performance to 31 January 2014

Performance in the first half of the period was disappointing as our overweight holdings in relatively defensive sectors such as utilities and food retail were unhelpful in a sharply rising market. We also suffered from falls in two of our larger holdings, RSA and Aviva on unexpected dividend cuts. The second half of the period saw a sharp turn round in performance as we benefited from a plethora of primary market opportunities and some of the holdings that had disappointed in the first half rebounded. We are currently seeing a record number of primary opportunities which we anticipate aiding fund performance.



Market Background

Markets enjoyed a strong period with the FTSE All Share rising 10.1% as signs of global economic growth surfaced and the greatest concerns over the Eurozone debt crisis faded.

February saw the strong start to 2013 continue as markets hit five year highs as investors continued to favour risk assets. Moody's decision to strip the UK of its AAA rating had little impact whilst Italy's inconclusive elections and lower than expected US GDP growth resulted in only temporary setbacks.

Markets again trended higher in March on strong US payrolls. A €10bn Cypriot bailout and plans for it to impose a levy on deposits over €100,000 again highlighted the ongoing risks of the Eurozone crisis.

Newsflow was largely negative in April with weak US payrolls and lower than expected Chinese growth. Britain also saw its AAA rating stripped by another rating agency. Nevertheless, ample central bank liquidity nudged the markets higher.

May saw markets hit their highest levels since 2000 on news that US employment was at its highest since December 2008. The Bank of England also revised upwards its UK economic outlook for the first time in five years. May was the twelfth consecutive monthly rise in the FTSE – a record.

The buoyancy in the markets ended abruptly in June as the Federal Reserve indicated it would reduce its monthly \$85bn bond buying programme and potentially stop all together in mid 2014. This, together with renewed concerns over weaker Chinese growth and its banking system, resulted in a sharp sell off as investors became concerned about the effects and lack of market support that may result from the withdrawal of quantitative easing.

AUTHORISED INVESTMENT ADVISER'S REPORT (CONTINUED)

Markets recovered over the summer as concerns over the effect bond tapering might have on growth eased. Tensions in Syria and the effects of higher oil price proved short lived.

October proved an excellent month as the UK market rose 5%. The Republicans took the debt ceiling negotiations close to the deadline. UK third quarter economic growth of 0.8% surprised on the upside as the UK showed signs of outperforming other developed economies.

Markets gave up some of their gains in November as fears the imminent bond tapering might choke the fragile economic recovery resurfaced. By the year end the Federal Reserve announced the start of its bond tapering programme earlier than anticipated.

2014 began strongly as a number of retailers reported positive Christmas trading statements. However, markets remained nervous over bond tapering and this spilt over into emerging market economies whose currencies have been weak as investors move money back to the US in anticipation of higher US rates.

UK unemployment fell to 7.1%, lower than expected and close to the Bank of England's 7% target. The market is now anticipating an interest rate rise in the UK in 2015.

Income

On 31 January 2014, a distribution of 1.4688pps (pence per share) was declared on the A income shares, 2.2526pps on the B income shares and 2.6381pps on the P income shares.

Strategy

Since we launched Primary Opportunities (formerly Quantock) in December 1995 most purchases have been made in primary markets. These consist of companies seeking a new listing (IPO), those undertaking equity fund raisings for restructuring and/or growth opportunities. We also buy secondary shares from large strategic or forced sellers typically at a substantial discount to the price. We also sub underwrite rights issues and buy the rump. The reasoning behind this approach is to buy shares at discount to fair value or the prevailing market price. We will continue to operate this unique investment style. In times of market volatility we are not afraid to increase our cash levels with the aim of buying large FTSE companies in the secondary market on setbacks.

The Portfolio

We participated in a number of placings including British Land, First Group, Lloyds Bank, Clinigen, ASOS and Utilitywise.

The IPO market picked up strongly during the year and we used our market position to participate in a number including Crest Nicholson, HellermannTyton, Foytons, Royal Mail, Servelec and Bonmarche.

Notable sales included:

- Lloyds 9.25% Preference and Barclays 14% Bond following exceptional performances since we purchased in the dark days of 2008. We considered there to be greater gains elsewhere in the sector.
- We reduced large holdings in Sainsbury's, BAE Systems, SSE, United Utilities and Vodafone. We are always trying to keep a well balanced portfolio without taking large sector positions.
- Given a number of primary opportunities in the property sector, we sold Safestore, Big Yellow Group, Unite and Primary Health Properties so as not to over concentrate the portfolio with property stocks.

AUTHORISED INVESTMENT ADVISER'S REPORT (CONTINUED)

Ten Largest Holdings

1. **HSBC 5.43%** - In April 2009 we subunderwrote the rights, took up our rights and added via the rump. We added to the holding on severe market weakness in November 2011 which we partially reduced in April 2012 on strength. Despite recent weak performance the Company offers a solid yield of 5%. We are marginally underweight the Index 5.8%.
2. **BP 5.38%** - We purchased the shares following their sharp fall as a result of the Gulf of Mexico oil spill. Concerns over the rising cost of litigation continue to weigh on the stock though once this is resolved this should act as a catalyst. We are overweight the Index 4.4%.
3. **Vodafone 4.97%** - Has been a very strong performer following the sale of its 45% stake in Verizon Wireless for \$130bn resulting in a cash windfall for shareholders. The remaining business is now of a size where it is vulnerable to a potential takeover.
4. **Rio Tinto 3.96%** - The shares were acquired in 2009 as part of a rights issue to reduce debt following a number of acquisitions prior to the credit crunch. Following a number of years of relative weakness, large cap miners have recently started to outperform and, unusually for the sector, offer an attractive dividend.
5. **Royal Dutch Shell B 3.28%** - The largest constituent of the FTSE 100 offers an attractive yield in excess of 5% and the share price has recovered strongly from a recent profit warning.
6. **SAB Miller 2.94%** The shares were purchased in October 2011 at a time of market turbulence for their stability and exposure to emerging markets. They have performed strongly though recently have suffered as a result of concerns over emerging market growth and currency headwinds.
7. **Standard Chartered 2.86%** - A long term holding that was last increased in December 2008 following a rights issue. It has underperformed a weak sector of late on concerns over emerging market growth.
8. **Barclays 2.80%** - The shares were acquired as part of a placing in November 2012. We took up our rights in October 2013. The bank remains modestly valued.
9. **AstraZeneca 2.68%** - A long term holding whose shares have risen sharply in value on cost cutting and hopes for its drugs pipeline.
10. **Glencore Xstrata 2.52%** - We were long term shareholders in Xstrata prior to its merger with Glencore.

Investment Outlook

2013 saw excellent returns for global equity markets as our worst fears, developed markets slipping back into recession, growing unemployment and a lack of political leadership, proved unfounded.

The UK is currently the fastest growing developed economy and is forecast to expand by a reasonable 2.4% in 2014. The US economy also appears robust.

AUTHORISED INVESTMENT ADVISER'S REPORT (CONTINUED)

Equities are in line with long term valuations so, whilst we see the opportunity for further gains, we would not expect such a marked rise as 2013. Market valuations are implying expected profit growth which we need to see firm evidence of in 2014. Areas of potential stress are the risk of the Fed tapering too aggressively thus snuffing out growth and the European recovery remaining anaemic at best.

We continue to see the potential for further gains rewarding the patient investor. Meanwhile a yield of 3½ % is considerably better than that available from bonds or cash.

Distributions

		Year 2014	Year 2013	Year 2012	Year 2011
Class A					
Net income paid 31 March	(inc shares)	1.4688pps	2.7767pps	1.0798pps	0.7759pps
	(acc shares)	1.8898pps	3.4852pps	1.3302pps	0.9377pps
Net income paid 30 September	(inc shares)		4.5603pps	3.7885pps	5.1073pps
	(acc shares)		5.7791pps	4.6858pps	6.1869pps
Class B					
Net income paid 31 March	(inc shares)	2.2526pps	3.2932pps	1.7649pps	1.5146pps
	(acc shares)	3.0008pps	4.2620pps	2.2298pps	1.8679pps
Net income paid 30 September	(inc shares)		5.2961pps	4.5247pps	5.9111pps
	(acc shares)		6.9324pps	5.7543pps	7.3250pps
Class P					
Net income paid 31 March	(inc shares)	2.6381pps	2.9600pps	N/A	N/A
	(acc shares)	2.6878pps	N/A	N/A	N/A
Net income paid 30 September	(inc shares)		5.6273pps	N/A	N/A
	(acc shares)		5.6273pps	N/A	N/A

Bob Brown - R C Brown Investment Management PLC
Investment Manager
6 March 2014

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MARLBOROUGH UK PRIMARY OPPORTUNITIES FUND

AUTHORISED INVESTMENT ADVISER'S REPORT (CONTINUED)

Material Portfolio Changes

For the year ended 31 January 2014

Major Purchases	Cost (£)	Major Sales	Proceeds (£)
Savills	301,189	Lloyds TSB Group 9.25% Prf	771,120
Primary Health Properties	298,217	Barclays 14% 15/06/19	495,915
Lloyds Banking Group	258,462	Indus Gas	448,218
Hochschild Mining	251,168	RSA Insurance Group	434,689
Intu Properties	244,498	United Utilities Group	367,870
Thomas Cook Group	240,573	Savills	328,125
British Land Company	225,216	Primary Health Properties	316,983
Crest Nicholson Holdings	220,884	Centrica	267,124
HellermannTyton Group	213,359	Intu Properties	258,568
Utility Wise	202,739	Vodafone Group	238,410
Rentokil Initial	199,777	Thomas Cook Group	230,947
G4S	186,278	Prudential	223,176
BTG	170,924	Safestore Holdings	211,298
Esure Group	167,814	BTG	207,580
Unite Group	167,376	Unite Group	205,032
St Modwen Properties	159,287	St Modwen Properties	188,299
Moneysupermarket.com Group	156,490	Crest Nicholson Holdings	183,417
Hargreave Services	148,366	Wandisco	179,307
Clinigen	146,195	HellermannTyton Group	175,314
Carphone Warehouse Group	141,756	National Grid	173,722
Other purchases	2,956,835	Other sales	2,525,247
Total purchases for the year	7,057,403	Total sales for the year	8,430,361

TOP TEN HOLDINGS AS AT 31 JANUARY 2014

	%
HSBC Holdings	5.43
BP	5.38
Vodafone Group	4.97
Rio Tinto	3.96
Royal Dutch Shell 'B'	3.28
SABMiller	2.94
Standard Chartered	2.86
Barclays	2.80
AstraZeneca	2.68
Glencore Xstrata	2.52

TOP TEN HOLDINGS AS AT 31 JANUARY 2013

	%
HSBC Holdings	6.61
Lloyds TSB Group 9.25% Non-Cum Pref	6.20
BP	5.88
Vodafone	5.38
Rio Tinto	4.22
Barclays 14% Step-Up Call Perp	4.11
United Utilities	4.09
RSA Insurance Group	3.96
Indus Gas	3.82
Standard Chartered	3.65

MARLBOROUGH UK PRIMARY OPPORTUNITIES FUND

FUND FACTS

Launched Income and Accumulation Shares 5 January 1996 at 100p
On 31 December 2012 Class P shares became available for purchase

Accounting Dates (Final) 31 January
(Interim) 31 July

Distribution Dates (Final) 31 March
(Interim) 30 September

Minimum Investment Class A £1,000 Class B £25,000 Class P £1,000,000

IMA Sector UK All Companies

Ongoing Charge Figure as at 31 January 2014 Class A 1.64%, Class B 1.14%, Class P 0.89%

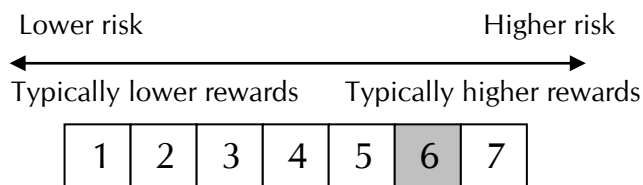
Ongoing Charge Figure as at 31 January 2013 Class A 1.64%, Class B 1.12%, Class P 0.76%*

* 31 December 2012 to 31 January 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. 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.

Synthetics 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.

MARLBOROUGH UK PRIMARY OPPORTUNITIES FUND

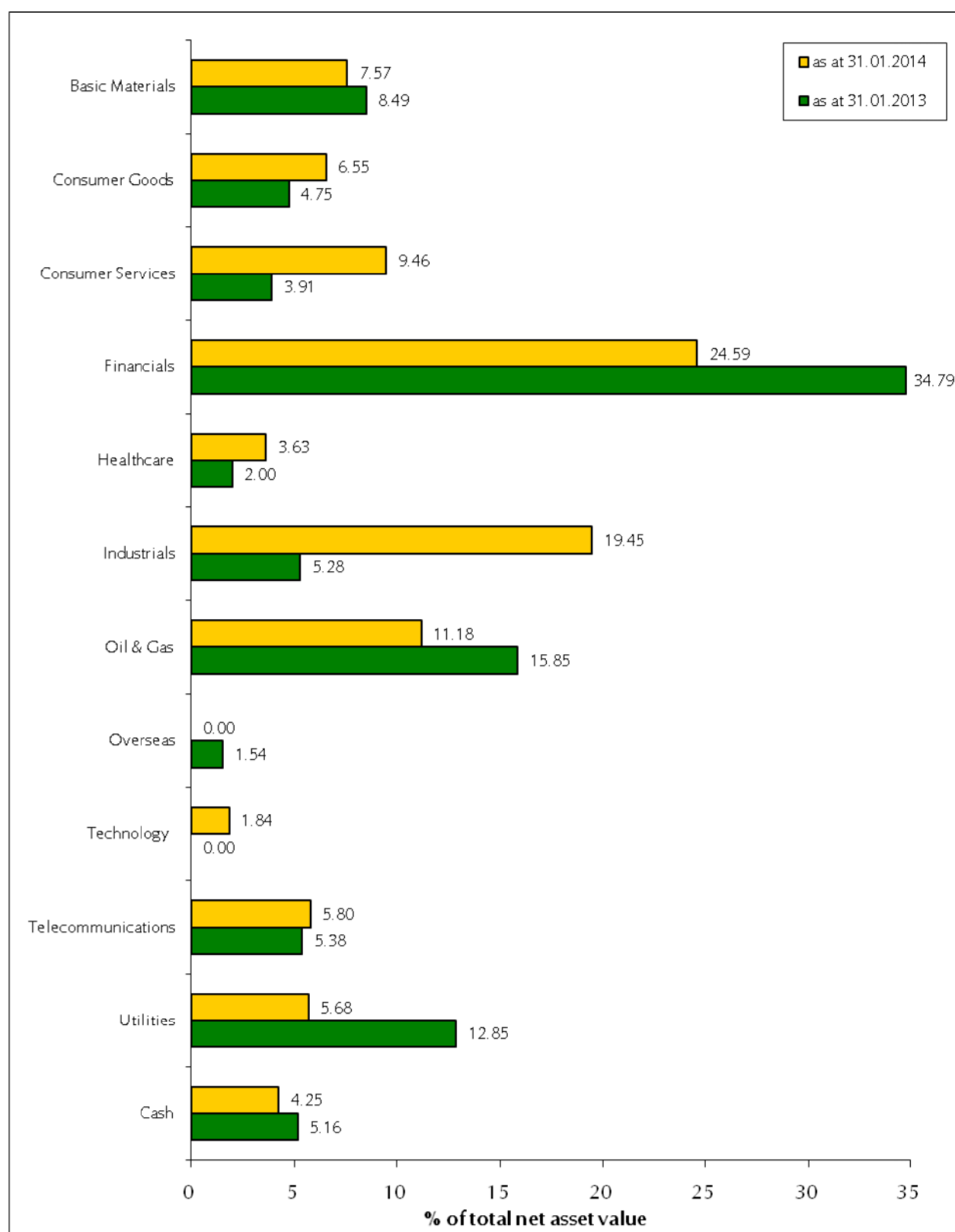
SUMMARIES OF FUND PERFORMANCE

Calendar Year	Share Class	Share Type	Highest Price	Lowest Price	Distribution Per Share
2009	Class A	Income	266.08p	153.19p	5.4411p
2010†	Class A	Income	311.92p	254.82p	2.6299p
2011	Class A	Income	324.47p	239.78p	5.8832p
2012	Class A	Income	290.83p	247.71p	4.8683p
2013	Class A	Income	320.41p	281.89p	7.3370p
2014*	Class A	Income	330.04p	315.28p	1.4688p
2009	Class A	Accumulation	318.30p	180.16p	6.3614p
2010†	Class A	Accumulation	376.92p	306.04p	3.2785p
2011	Class A	Accumulation	392.81p	295.39p	7.1246p
2012	Class A	Accumulation	359.72p	306.39p	6.0160p
2013	Class A	Accumulation	412.25p	354.88p	9.2643p
2014*	Class A	Accumulation	424.65	405.66p	1.8898p
2009	Class B	Income	267.15p	153.59p	6.4570p
2010	Class B	Income	313.38p	255.99p	4.1080p
2011	Class B	Income	325.41p	240.56p	7.4257p
2012	Class B	Income	291.46p	248.54p	6.2896p
2013	Class B	Income	321.60p	282.96p	8.5893p
2014*	Class B	Income	331.33p	316.6p	2.2526p
2009	Class B	Accumulation	324.73p	183.21p	7.5911p
2010	Class B	Accumulation	386.49p	313.00p	4.9367p
2011	Class B	Accumulation	402.99p	303.94p	9.1929p
2012	Class B	Accumulation	370.67p	316.07p	7.9841p
2013	Class B	Accumulation	428.42p	367.06p	11.1944p
2014*	Class B	Accumulation	441.38p	421.77p	3.0008p
2013	Class P	Income	321.37p	282.71p	8.5873p
2014*	Class P	Income	331.12p	316.45p	2.6381p
2013	Class P	Accumulation	327.43p	282.71p	5.6273p
2014*	Class P	Accumulation	337.36p	322.42p	2.6878p

*up to 31 January 2014 †Class C (ISA) shares were converted to Class A shares on 30 June 2010.

Date	Share Class	Net Asset Value	Net Asset Value Per Share	
			Income	Accumulation
31 January 2012	Class A	£8,519,262	267.77p	331.20p
31 January 2012	Class B	£7,750,568	268.18p	341.07p
31 January 2013	Class A	£6,873,041	287.22p	364.00p
31 January 2013	Class B	£5,234,063	287.73p	376.64p
31 January 2013	Class P	£1,005	287.23p	-
31 January 2014	Class A	£6,223,439	313.42p	405.15p
31 January 2014	Class B	£5,258,302	313.96p	421.25p
31 January 2014	Class P	£134,413	313.42p	322.02p

PORTFOLIO BREAKDOWN



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