MFM BOWLAND FUND

Short Report

For the period from 1st April 2013 to 30th September 2013

(Unaudited)

MARLBOROUGH

Fund Managers Limited

MFM BOWLAND FUND

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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 funds 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:

No changes have been made since the last report.

Up to date key investor information documents, the full 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 six month period ended 30 September 2013

Percentage change and sector position to 30 September 2013

	Six months	1 year	3 years	5 years	Since Launch**
MFM Bowland Fund	3.10%	7.25%	4.91%	55.67%	151.39%
Quartile Ranking*	4	4	4	4	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)

The Fund's performance was disappointing in the six months to 30th September. Since then, performance has improved markedly, lifting performance in the past six months into the first quartile while the five year performance rankings have also risen into the first quartile.

Despite regular reminders about sluggish conditions in Europe and slowing growth in China, investors were reassured by robust US economic progress and continued to switch funds out of cash and into stocks. The strongly bullish tone went sharply into reverse on 22nd May when the Federal Reserve laid out its roadmap to "tapering" QE – the UK stockmarket fell 8% from its 22nd May highpoint by 30th June, bond yields jumped and emerging debt and equity markets were hit especially hard.

Stockmarkets rebounded in July following June's sharp falls as investors accepted reassurance from the Federal Reserve and other central banks that any unwinding of QE would be carefully calibrated. During August, markets retreated on fears of military intervention in Syria. Emerging markets were extremely volatile, with some falling sharply as investors wrestled with the potential impact of the end of QE on EM economies and currencies. In September, global stockmarkets rallied as the prospect of military action in Syria receded and as the Federal Reserve surprised investors by deferring the much-anticipated beginning of tapering. However, political posturing over the US debt ceiling then took centre stage towards the end of September as the deadline approached, prompting markets to give back some of their gains

The Fund suffered from its lack of exposure to cyclicals and financials from the summer of 2012 until around June 2013. Such stocks rarely fit the manager's share selection methodology. Since June, cyclicals and financials, which had enjoyed an extremely powerful re-rating, began to consolidate while investors refocused on growth.

Looking at the portfolio's growth investments first, Hutchison China MediTech continued to be re-rated, gaining 22% (+2.03% contribution). Interim results beat expectations, with the China Healthcare division delivering 18% growth in net profits. Cash balances improved sharply and this division is making excellent progress in monetising the value of its prime property assets as it relocates to factories outside the city centres. Global phase 3 trials have started on its joint venture with Nestle. Investors are increasingly focusing on the value of Hutchison's R&D division which has revealed two additional partnerships with "big pharma" since the period end.

Entertainment One also continued to make good progress, rising 18% (+1.44% contribution) after a solid pre-closing statement ahead of its interim results. Trading is "in line" with management expectations. Meanwhile, an independent valuation of its library assets came in at $650m, about 60% of the company's enterprise value. The shares started trading as a Mid 250 index constituent in September which created more investor interest. The shares remain very lowly rated for a business growing earnings well into double digits, on a PE of less than 11. We are encouraged to see further re-rating in early October.

AUTHORISED INVESTMENT ADVISER'S REPORT (CONTINUED)

NCC Group was initially weak but rebounded in the third calendar quarter. For the six months, the shares gained 8% (+0.14% contribution) after management reported solid full year results. Organic sales growth was 8%, earnings and profits were ahead and the dividend was raised 16%. Importantly, all the issues flagged up in the previous quarter relating to personnel and the integration of acquisitions have been addressed. It is also worth noting a much more positive tone, with the company "beginning to see improving and more certain market conditions."

Other strong performers included Advanced Medical Solutions (up 21%, +0.24% contribution). Diploma continues to make steady progress and the shares put on 17% (+0.34% contribution). Avation released stunning results which beat expectations by some 40% and the shares responded accordingly, rising 17% (+0.33% contribution). Quindell Portfolio announced a further flurry of contract wins and several small acquisitions and the shares rose 59% (+0.87% contribution). CML Microsystems gained 27% (+0.89% contribution) while Staffline jumped 45% (+0.19% contribution) and Trifast gained 19% (+0.18% contribution).

Cineworld put on 36% (+0.37% contribution). First half results were better than forecast, with earnings 27% ahead as a result of operational gearing. The company is on track for the full year. Since the period end the Competition Commission announced that the company will have to sell three cinemas as a result of its acquisition of Picturehouse. The disposals represent only around 1.5% of EBITDA so the impact is minimal. Weir Group (up 3%) announced a solid set of interim results with the business on track to meet full year forecasts and, encouragingly, showing signs of increasing order momentum. William Hill gained 9% though the shares came off their highs after the company announced the need for further investment in its Australian business and the negative impact of the weak Australian dollar. Elsewhere, Parity rose 5% (+0.22% contribution), Hargreave Services put on 1% and OPG Power was unchanged despite significant progress in increasing capacity.

A few growth company investments saw their share prices fall during the period. Ocean Wilsons was down 9% (-0.32% contribution) though its Brazilian operations continue to advance despite challenging local conditions. Oxford Instruments fell 24% (-0.58% contribution) though the position was reduced materially during the first half at higher share prices. The new financial year started quietly as the company's US customers dealt with the uncertain outlook for government spending. In the medium to long term, we believe that Oxford is very well-placed to ride the nanotechnology wave with leading market positions – revenue growth of 10-20% per annum should be feasible as nanotechnology is used in a wider range of products and industries. There is also scope for margins to rise from 14% to nearer 20% in the medium term. Andor Technology fell 5% (-0.07% contribution). The company's US customers are facing similar pressures. Interestingly, Andor received a cash bid at a substantial premium from Oxford after the period end.

Meanwhile, Dialight slipped 12% (-0.71% contribution). The shares had been much higher during the period until a statement reporting order delays in the obstruction division. We own the shares because we are interested in the prospects of the much larger industrial lighting division which is very well-positioned to grow rapidly in the relatively new LED lighting market for industrial and hazardous environments. We reduced the position when the shares were near their highs and have sold more since the period end. Domino's Pizza surrendered 3% on news that its roll out in Germany will take longer than expected to reach breakeven owing to uncertainty about new minimum wage legislation. Management has slowed the roll out until the position is clearer and this will delay the positive impact of scale. The dominant UK business, though, is trading very strongly. Shares in Serco fell (-0.14% contribution) following disclosure that the company had overcharged the government on a contract. Given the importance of the UK government as a customer and the political attractions for MPs to attack outsourcing companies, there is a risk that Serco could lose out materially in the short to medium term. We therefore sold the position, fortunately before a serious profit warning six weeks later.

AUTHORISED INVESTMENT ADVISER'S REPORT (CONTINUED)

We sold Avanti Communications which saw its share price fall after a disappointing trading update which showed further delays in achieving targeted sales levels. This delay raised the risk that banking covenants might be breached so we decided to exit the position. This position contributed -0.93% during the period.

Offsetting this to some degree was the completion of the cash bid for Lonrho at a substantial premium. The shares were sold and contributed +0.46% to returns.

Some of the portfolio's special situation or high yield investments did well. Augean added 11% (+0.15% contribution). The turnaround at WYG continued apace, with the shares rising 47% (+0.49% contribution) on the back of more upgrades. XP Power is also on the front foot with more signs of a pick-up in its markets – the shares gained 12% (+0.11% contribution). The 14% rise in Terrace Hill had a very small impact. New management is making progress at London Capital (up 13%) Strong high yielders included Begbies Traynor (up 6% excluding dividends), City of London Investment Group (up 3% excluding dividends) and New River Retail (up 19% excluding dividends, +0.17% contribution).

Detractors included Asian Plantations (down 16%, -0.18% contribution) and All Leisure which drifted back 21% on light volumes (-0.28% contribution). The Fund's three mining exposures fell as sentiment remained extremely adverse – Goldplat slipped 18% (-0.12% contribution), Fortuna Silver fell 14% despite solid operational progress (-0.42% contribution) and Spanish Mountain Gold fell 42% (-0.18% contribution) as pre-production projects suffered the most. Marwyn Management Partners fell 35% (-0.34%) as investors await a mechanism to unlock the company's asset value which is a multiple of the share price. The company is asset rich but cash poor. A flotation of Marwyn's German bus business is being attempted. CSF Group (down 43%) has ejected its CEO and still has substantial cash balances. The new team is hoping to repay a sum in excess of the current share price. Several other companies also impacted performance negatively in a very small way including British American Tobacco (down 3%) and eserveglobal (down 2%).

During the quarter, the holding in Avanti Communications was sold for the reasons given above. Lonrho was sold as a result of a cash bid. BSkyB was sold as its earnings are unlikely to progress in the next two years given the aggressive competition from BT in bidding for content. The holding in Chemring was also sold after a strong rally in the shares in recent months. Though the new management team is impressive, the market in which Chemring operates is extremely challenging and we felt the shares had risen too far, too fast. Cape was sold after a rise in its share price given the uncertainty it faces in Australia. The investment in NCC Group was also reduced along with the investments in Cathay International, Hutchison China, Weir, XP Power, Domino's Pizza, Oxford Instruments, Entertainment One and CML Microsystems.

The proceeds were reinvested in a number of new investments: marketing services group Communisis, photo booth operator Photo-Me International, oil company Soco, support services group Mears, paper supplier DS Smith, fund manager Polar Capital, digital marketing group Next 15, Walt Disney, oil services group Amec, digital mapping specialist 1Spatial, document storage leader Restore and Stanley Gibbons, the stamp specialist. The investments in Cineworld, Staffline, Avation, Parity, OPG Power and Hargreave Services were also increased.

It is worth touching briefly on some of these companies. Photo-Me offers both attractively priced growth and a high dividend yield, with growth in its core business being supplemented by new products. Communisis is nearing the end of its investment phase that is enabling the business to win very large orders. Mears has a very strong market position following consolidation in its sector. Restore is rolling up an industry with annuity-style revenues. Soco is unusual for an oil company in that it trades on a modest PE multiple, a discount to its asset value and offers a 10% dividend yield. Stanley Gibbons has recently acquired Noble, the coin dealer. We see significant scope for cross marketing and are interested in the company's online strategy, the potential upside of which is not reflected in the share price at all.

AUTHORISED INVESTMENT ADVISER'S REPORT (CONTINUED)

We believe that the recent additions to the portfolio offer considerable upside. Since the period end, we have added further to some of these positions and also initiated several other, new investments. Meanwhile, we are encouraged that most of the portfolio's companies are reporting solid trading progress. Some companies, including some of the portfolio's larger holdings, have started to move after a quiet period and have plenty of scope for further upside. Others have reported progress that is not remotely reflected in their current share prices. We therefore see significant pregnant value in the portfolio.

Distributions (Accumulation Units)

	Year 2013	Year 2012	Year 2011	Year 2010
Net income paid 31 May	0.0000ppu	0.0000ppu	0.0000ppu	0.3335ppu

Slater Investments Limited
26 November 2013

TOP TEN HOLDINGS AS AT 30 SEPTEMBER 2013

	%
Hutchison China Meditech	9.74
Entertainment One	8.39
Dialight	4.33
CML Microsystems	4.10
Ocean Wilsons Holdings	3.43
NCC Group	3.25
Parity Group	3.02
Alliance Pharma	3.01
Restore	2.83
Quindell Portfolio	2.44

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 Changes

For the six month period ended 30 September 2013

Purchases	Cost (£)	Sales	Proceeds (£)
Restore	207,112	Cape	166,814
Photo-Me International	154,813	Chemring Group	165,665
Walt Disney	154,426	Hutchison China Meditech	163,273
Soco International	149,027	Oxford Instruments	142,107
Next Fifteen Communications Group	82,474	Entertainment One	133,089
AMEC	78,149	ETFS Physical Silver	111,912
Communisis	53,666	British Sky Broadcasting Group	108,539
1Spatial	43,500	Lonrho	102,500
Parity Group	40,500	Avanti Communications Group	82,606
Cineworld Group	39,639	Serco Group	76,389
Polar Capital Holdings	39,466	Diploma	59,425
Smith (DS)	39,248	Dialight	56,371
Staffline Group	36,031	NCC Group	50,651
Avation	32,060	Weir Group	43,939
Hargreaves Services	24,676	Domino's Pizza Group	38,810
Mears Group	16,417	Cathay International Holdings	24,846
OPG Power Ventures	13,728	CML Microsystems	21,157
		Cupid	15,738
		XP Power	12,132
Total purchases for the period	1,204,932	Total sales for the period	1,575,963

FUND FACTS

Launched Accumulation Units		12 July 1999 at 50p
Accounting Dates	(Final)	31 March
	(Interim-report only)	30 September
Distribution Dates	(Final)	31 May
Minimum Investment:		£9,900
IMA Sector		UK All Companies
Ongoing Charge Figure as at 30 September 2013		2.14%
Ongoing Charge Figure as at 31 March 2013		2.13%

The ongoing charges figure is based on expenses for the 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.

Synthetics 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

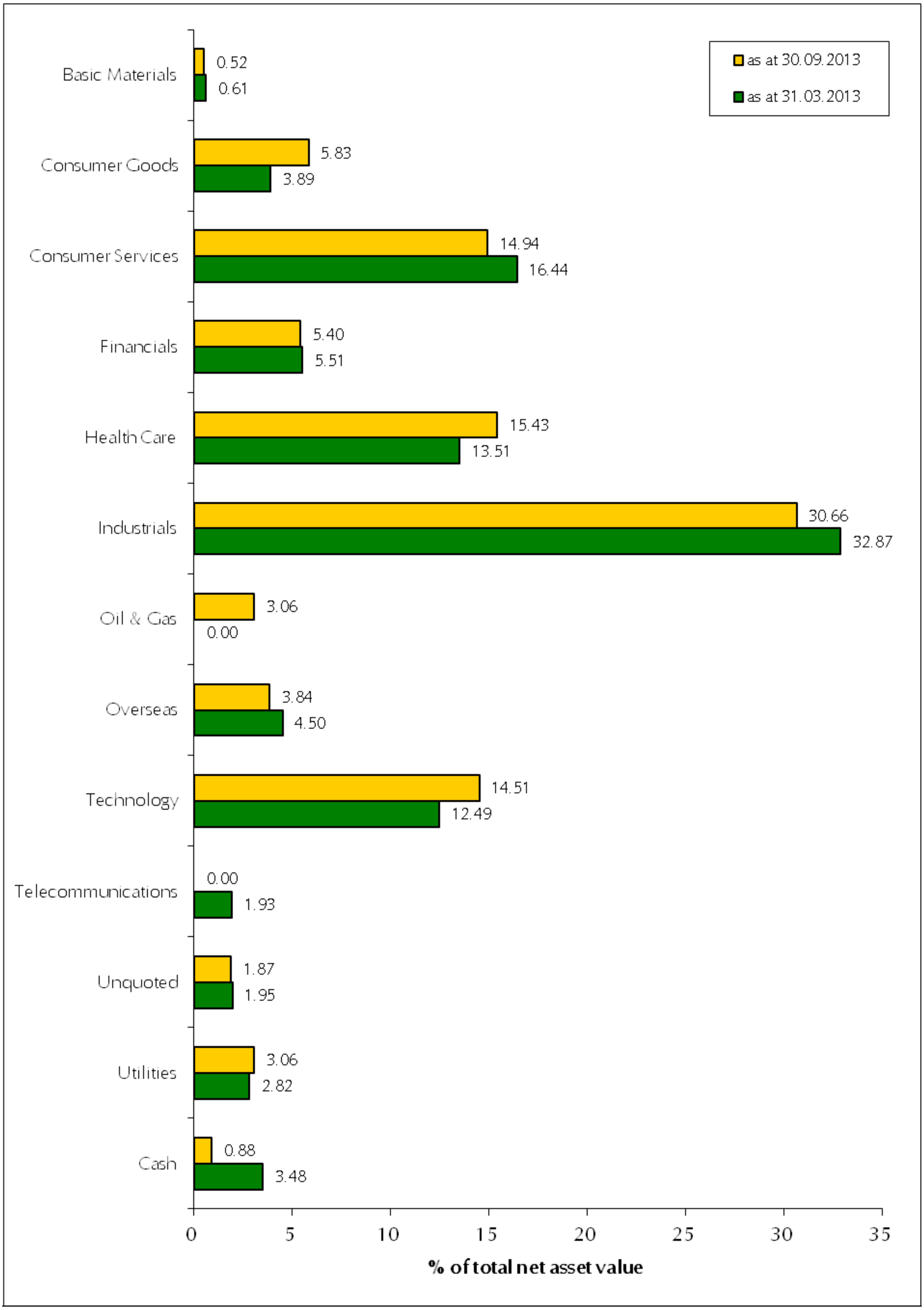
Unit Type	Year	Highest Price	Lowest Price	Distribution Per Unit
Accumulation	2008	107.10p	54.47p	0.2472p
Accumulation	2009	96.49p	52.85p	0.5601p
Accumulation	2010	134.47p	86.95p	0.3335p
Accumulation	2011	140.98p	104.25p	-
Accumulation	2012	125.18p	101.51p	-
Accumulation	2013*	126.62p	105.65p	-

*up to 30 September 2013

Date	Net Asset Value of Scheme Property	Net Asset Value Per Accumulation Unit
31 March 2011	£9,158,892	122.98p
31 March 2012	£8,237,453	110.86p
31 March 2013	£8,043,629	110.92p
30 September 2013	£7,758,663	114.92p

MFM BOWLAND FUND

PORTFOLIO BREAKDOWN



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