



Marlborough Balanced Fund

Interim Report and Unaudited Financial Statements
for the six month period ended 31st August 2017

MARLBOROUGH BALANCED FUND

Authorised Fund Manager and Registrar

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

Investor Support: (0808) 145 2500 (FREEPHONE)

Authorised and regulated by the Financial Conduct Authority.

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

Marlborough Investment Management Limited
PO Box 1852
Lichfield
Staffordshire
WS13 8XU

Authorised and regulated by the Financial Conduct Authority.

Auditor

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

Directors of Marlborough Fund Managers Limited

Andrew Staley	Chairman
Nicholas F J Cooling	Deputy Chairman
Allan Hamer	Joint Managing Director
Wayne D Green	Joint Managing Director
Dom M Clarke	Finance Director
Geoffrey Hitchin	Investment Director
Helen Derbyshire	Director – Compliance & Risk
Keith Ounsworth	Director – Sales (resigned 6 April 2017)
John R Heap	Director – Strategic Development (resigned 9 February 2017)
B John Leyland	Director (resigned 9 February 2017)

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MARLBOROUGH BALANCED FUND

AUTHORISED INVESTMENT ADVISER'S REPORT

for the six month period ended 31 August 2017

Percentage change and sector position from launch to 31 August 2017

	<u>Six months</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>	<u>Since launch*</u>
Marlborough Balanced Fund	4.49%	12.54%	31.96%	59.30%	320.27%
Quartile Ranking**	2	2	1	2	3

* Launched 01.03.1993

** Based on ranking within The Investment Association's Mixed Investment 40-85% Shares sector

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

Class P units first priced on 2 January 2013. In the period to that date, the past performance information for the Class A shares has been used.



Over the past six months the P series accumulation unit bid price of the Marlborough Balanced Fund has risen by 4.49% placing your fund in the second quartile of its peer group the IA OE Mixed Investment 40-85% Shares Index.

Over the past twelve months the P series accumulation unit bid price of the Marlborough Balanced Fund has risen by 12.54% again placing your fund in the second quartile of its peer group outperforming its peer by over 1.5%.

It is even more pleasing to identify to you that over the past three years your fund is in the top quartile of its peer group with the P series accumulation unit bid price rising by 31.96% compared to an increase of only 27.24% by its peers.

The last six months has seen a continuation of a process of progressively reducing the outperforming overweight position to the Far East and Emerging Markets whilst at the same time acting with alacrity to remove underperforming elements from the portfolio, against a general background of our ongoing effort to ensure that the amount paid for underlying management is kept to an absolute minimum. We trust you will agree that these disciplines have begun to bear fruit.

Nicholas F J Cooling BA (Hons)

Deputy Chairman

12 October 2017

Distributions (pence per unit)

	<u>Year 2017</u>	<u>Year 2016</u>	<u>Year 2015</u>	<u>Year 2014</u>
<u>Class A</u>				
Net income paid 30 April	1.5428	0.9992	0.0712	0.1213
<u>Class B</u>				
Net income paid 30 April	2.4719	1.8152	0.8966	0.9325
<u>Class P</u>				
Net income paid 30 April	2.8891	2.2200	1.1994	1.1740
<u>Class I</u>				
Net income paid 30 April	4.2110	3.4200	1.0100	n/a

Material portfolio changes

Purchases	Cost (£)	Sales	Proceeds (£)
BlackRock UK Income 'D' (Acc)	1,700,000	Marlborough Far East Growth 'P' (Acc)	4,400,595
Marlborough UK Multi-Cap Growth 'P' (Inc)	1,700,000	Treligga Ardevora UK Income 'C' (Inc)	3,356,174
Aberdeen Global Japanese Equity 'R2' BCE	1,060,000	Marlborough Emerging Markets 'P' (Inc)	1,419,451
Marlborough Emerging Markets 'P' (Inc)	171,000	Aberdeen Japan Equity 'I' (Acc)	1,052,603
Marlborough Far East Growth 'P' (Acc)	46,500	EEA Life Settlement Sterling 'C' (Acc)	440,274
Other purchases	1,915		
Total purchases for the period	4,679,415	Total sales for the period	10,669,097

MARLBOROUGH BALANCED FUND

AUTHORISED STATUS AND GENERAL INFORMATION

Authorised status

The Fund is an authorised unit trust scheme within the meaning of the Financial Services and Markets Act 2000 and is a non UCITS scheme operating under the Collective Investment Schemes Sourcebook (COLL) and the Investment Fund Sourcebook (FUND) as issued by the Financial Conduct Authority.

Investment objective

The investment objective of the Fund is to provide medium to long term capital growth on a medium risk basis.

It is intended that this objective will be achieved by the Fund investing primarily in a diversified portfolio of units/shares of collective investment schemes, (including, but not restricted to, Exchange Traded Funds, collective investment schemes which themselves invest in property and/or the shares of property companies, and index-linked collective investment schemes), and transferable securities (including, but not restricted to, shares in investment companies including investment trusts which themselves invest in equities, property and/or the shares of property investment companies, and equity linked transferable securities and fixed interest investments), on a global basis. The Fund is also permitted to invest in money market instruments, government and public securities, cash and near cash, warrants and deposits as permitted for non-UCITS retail Schemes in accordance with COLL.

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

It is intended that the assets of the Fund will be managed such that it is eligible for quotation within The Investment Association's Mixed Investment 40-85% Shares sector, further details of which may be found via the IA's website at www.theinvestmentassociation.org.

Changes in prospectus

No changes have been made since the last report.

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

Leverage

In accordance with the Alternative Investment Fund Managers Directive (AIFMD) we are required to disclose the 'leverage' of the Fund. Leverage is defined as any method by which the Fund increases its exposure through borrowing or the use of derivatives. 'Exposure' is defined in two ways: 'gross method'; and 'commitment method'. The Fund must not exceed maximum exposures under both methods. 'Gross method' exposure is calculated as the sum of all positions of the Fund (both positive and negative), that is, all eligible assets, liabilities and derivatives, including derivatives held for risk reduction purposes. 'Commitment method' is also calculated as the sum of all positions of the Fund (both positive and negative), but after netting off any derivative and security positions as specified by AIFMD rules.

Therefore, the total amount of leverage calculated as at 31 August 2017 is as follows:

Gross method: 90.99%

Commitment method: 90.99%

The maximum level of leverage which may be employed on behalf of the Fund when calculated in accordance with the gross method is 160%.

The maximum level of leverage which may be employed on behalf of the Fund when calculated in accordance with the commitment method is 110%.

MARLBOROUGH BALANCED FUND

DIRECTORS' STATEMENT

This report has been prepared in accordance with the requirements of the Collective Investment Schemes Sourcebook as issued and amended by the Financial Conduct Authority.



ALLAN HAMER
JOINT MANAGING DIRECTOR



G R HITCHIN
INVESTMENT DIRECTOR

MARLBOROUGH FUND MANAGERS LTD
16 October 2017

FUND INFORMATION

Accumulation units were first offered at 50p on 1 March 1993. On 31 December 2012, the existing units were reclassified as Class A units and Class B and P units became available for purchase. On 1 October 2014, Class I units became available for purchase.

Price and distribution record

Financial year to	Highest price	Lowest price	Net income per unit
<u>Class A Accumulation</u>			
28 February 2015	164.67p	142.48p	0.0712p
29 February 2016	173.00p	145.63p	0.9992p
28 February 2017	196.78p	153.45p	1.5428p
28 February 2018*	205.08p	184.90p	
<u>Class B Accumulation</u>			
28 February 2015	165.97p	143.79p	0.8966p
29 February 2016	174.55p	147.93p	1.8152p
28 February 2017	200.48p	156.17p	2.4719p
28 February 2018*	209.54p	189.00p	
<u>Class P Accumulation</u>			
28 February 2015	160.12p	144.41p	1.1994p
29 February 2016	168.47p	149.09p	2.2200p
28 February 2017	194.38p	157.17p	2.8891p
28 February 2018*	203.31p	190.57p	
<u>Class I Accumulation</u>			
28 February 2015	165.01p	142.55p	1.0100p
29 February 2016	173.87p	148.77p	3.4200p
28 February 2017	203.62p	157.56p	4.2110p
28 February 2018*	213.80p	192.30p	

* six month period to 31 August 2017

MARLBOROUGH BALANCED FUND

FUND INFORMATION

Number of units in issue/Net asset value per unit

	Net asset value of scheme property	Number of units in issue	Net asset value per unit
<u>Class A Accumulation</u>			
28 February 2015	£87,831,705	56,483,165	155.50p
29 February 2016	£71,359,711	46,194,528	154.48p
28 February 2017	£74,848,263	40,155,633	186.40p
31 August 2017	£73,161,119	37,707,236	194.02p
<u>Class B Accumulation</u>			
28 February 2015	£2,347	1,493	157.18p
29 February 2016	£2,194	1,398	156.95p
28 February 2017	£2,275	1,195	190.38p
31 August 2017	£2,324	1,169	198.76p
<u>Class P Accumulation</u>			
28 February 2015	£2,240,551	1,421,013	157.67p
29 February 2016	£2,993,001	1,896,094	157.85p
28 February 2017	£3,065,683	1,597,544	191.90p
31 August 2017	£3,904,309	1,947,204	200.51p
<u>Class I Accumulation</u>			
28 February 2015	£156	100	156.37p
29 February 2016	£158	100	157.91p
28 February 2017	£1,013	524	193.42p
31 August 2017	£1,009	497	202.92p

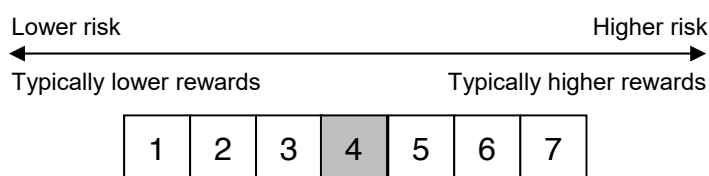
Ongoing charges

	<u>Class A</u>	<u>Class B</u>	<u>Class P</u>	<u>Class I</u>
28 February 2017	2.45%	1.95%	1.70%	0.95%
31 August 2017	2.39%	1.88%	1.64%	0.89%

The ongoing charge 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.

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 4 because it has experienced moderate volatility historically.

MARLBOROUGH BALANCED FUND

PORTFOLIO STATEMENT

as at 31 August 2017

Holding or nominal value		Bid value £	Percentage of total net assets %
UK FIXED INTEREST (7.79%, Feb 2017 - 7.59%)			
11,225,930	Marlborough Bond Income 'P' (Inc)	6,003,886	7.79
	Total UK Fixed Interest	6,003,886	7.79
INTERNATIONAL FIXED INTEREST (4.40%, Feb 2017 - 4.30%)			
4,385,689	Marlborough High Yield Fixed Interest 'P' (Inc)	3,394,936	4.40
	Total International Fixed Interest	3,394,936	4.40
UNITED KINGDOM (28.67%, Feb 2017 - 27.15%)			
105,328	BlackRock UK Income 'D' (Acc)	1,677,881	2.18
2,266,761	CF Lindsell Train UK Equity (Acc)	8,586,946	11.14
3,710,404	CF Woodford Equity Income 'C' (Acc)	4,757,479	6.17
1,460,318	Marlborough Multi Cap Income 'P' (Acc)	2,985,473	3.87
520,338	Marlborough UK Multi-Cap Growth 'P' (Inc)	1,746,111	2.27
70,840	Vanguard FTSE 100 *	2,345,867	3.04
	Total United Kingdom	22,099,757	28.67
UNITED STATES (18.19%, Feb 2017 - 17.97%)			
3,235,137	Marlborough US Multi-Cap Income 'P' (Inc)	14,018,494	18.19
	Total United States	14,018,494	18.19
JAPAN (4.91%, Feb 2017 - 4.60%)			
335,040	Aberdeen Global Japanese Equity 'R2' Base Curr Exp (Acc)	3,781,933	4.91
	Total Japan	3,781,933	4.91
EUROPE (11.90%, Feb 2017 - 10.01%)			
456,725	Man GLG Continental European Growth 'C' (Acc)	2,557,201	3.32
832,595	Marlborough European Multi-Cap 'P' (Inc)	4,126,676	5.35
929,516	Schroder European Alpha Income 'Z' (Acc)	2,485,525	3.23
	Total Europe	9,169,402	11.90
FAR EAST (5.51%, Feb 2017 - 10.29%)			
1,527,534	Marlborough Far East Growth 'P' (Acc)	4,243,642	5.51
	Total Far East	4,243,642	5.51
EMERGING MARKETS (6.48%, Feb 2017 - 7.66%)			
1,466,955	Marlborough Emerging Markets 'P' (Inc)	4,995,714	6.48
	Total Emerging Markets	4,995,714	6.48
SPECIALIST (3.50%, Feb 2017 - 4.29%)			
15,132	EEA Life Settlement Sterling 'C' (Acc) **	899,129	1.17
294,528	JPM Natural Resources 'C Net' (Acc)	1,796,621	2.33
	Total Specialist	2,695,750	3.50
Portfolio of investments		70,403,514	91.35
Net current assets on capital account		6,665,247	8.65
Net assets		77,068,761	100.00

All investments are units/shares in unit trusts and ICVCs which are authorised or 'recognised' by the FCA with the exception of * which are open ended exchange traded funds and ** which are unregulated ICVCs.

The investments of the Fund have been valued at their fair value at 12 noon on 31 August 2017. Fair value is normally the bid value of each security by reference to quoted prices from reputable sources; that is the market price. If the authorised fund manager believes that the quoted price is unreliable, or if no price exists, a valuation technique is used whereby fair value is the authorised fund manager's best estimate of a fair and reasonable value for that investment. The fair value excludes any element of accrued interest.

MARLBOROUGH BALANCED FUND

PORTFOLIO TRANSACTIONS	£
for the six month period ended 31 August 2017	
Total purchases, including transaction charges	4,679,415
Total sales proceeds, net of transaction charges	10,669,097

MARLBOROUGH BALANCED FUND

STATEMENT OF TOTAL RETURN

for the six month period ended 31 August 2017

	31 August 2017		31 August 2016	
	£	£	£	£
Income:				
Net capital gains/(losses)		2,975,728		8,024,893
Revenue	763,227		1,061,778	
Expenses	(597,118)		(562,261)	
Net revenue/(expense) before taxation	166,109		499,517	
Taxation	0		0	
Net revenue/(expense) after taxation		166,109		499,517
Total return before distributions		3,141,837		8,524,410
Distributions		(4,742)		(18,373)
Change in net assets attributable to unitholders from investment activities		3,137,095		8,506,037

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the six month period ended 31 August 2017

	31 August 2017		31 August 2016	
	£	£	£	£
Opening net assets attributable to unitholders	*	77,917,234		74,355,064
Amounts receivable on issue of units	649,738		21,932	
Amounts payable on cancellation of units	(4,636,534)		(7,738,668)	
Amounts payable on unit class conversions	(690)		(307)	
		(3,987,486)		(7,717,043)
Change in net assets attributable to unitholders from investment activities		3,137,095		8,506,037
Unclaimed distributions		1,918		0
Closing net assets attributable to unitholders		77,068,761	*	75,144,058

* These figures are not the same as the comparatives are taken from the preceding interim period and not the last final accounts.

MARLBOROUGH BALANCED FUND

BALANCE SHEET

as at 31 August 2017

	31 August 2017	28 February 2017
	£	£
Assets:		
Fixed Assets:		
Investment assets	70,403,514	73,130,852
Current Assets:		
Debtors	131,660	393,404
Cash and bank balances	7,152,173	4,504,723
Total assets	<u>77,687,347</u>	<u>78,028,979</u>
Liabilities:		
Creditors:		
Bank overdrafts	135,891	0
Other creditors	482,695	111,745
Total liabilities	<u>618,586</u>	<u>111,745</u>
Net assets attributable to unitholders	<u>77,068,761</u>	<u>77,917,234</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the six month period ended 31 August 2017

Basis for preparation

The interim financial statements have been prepared in compliance with FRS102 and in accordance with the Statement of Recommended Practice for UK Authorised Funds issued by The Investment Association in May 2014.

The financial statements are prepared in sterling, which is the functional currency of the Fund. Monetary amounts in these financial statements are rounded to the nearest pound.

The financial statements have been prepared on the historical cost convention, modified to include the revaluation of investments and certain financial instruments at fair value.

Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 28 February 2017 and are described in those annual financial statements.

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member of The Investment Association.