

IFSL Marlborough US Multi-Cap Income Fund

Interim Report and Unaudited Financial Statements
for the six month period ended 10 March 2023

IFSL

— Fund Services —

Marlborough

IFSL MARLBOROUGH US MULTI-CAP INCOME FUND

CONTACT INFORMATION

Authorised Fund Manager (AFM) and Registrar

Investment Fund Services Limited (IFSL)
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Bolton
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Investor Support: (0808) 178 9321 (FREEPHONE)

Authorised and regulated by the Financial Conduct Authority.

Directors of IFSL

Andrew Staley (Non-Executive)
Allan Hamer
Dom Clarke - appointed 30 January 2023
Helen Derbyshire
Helen Redmond
Sally Helston
Guy Sears (Independent Non-Executive)
Sarah Peaston (Independent Non-Executive)

Investment Manager

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

Authorised and regulated by the Financial Conduct Authority.

Sub-investment Manager

Boston Financial Management LLC
255 State Street
6th Floor
Boston
MA 02109
USA

Depository (in it's capacity as 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.

Auditor

Ernst & Young LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

IFSL MARLBOROUGH US MULTI-CAP INCOME FUND

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IFSL MARLBOROUGH US MULTI-CAP INCOME FUND

AUTHORISED INVESTMENT MANAGER'S REPORT

for the six month period ended 10 March 2023

Performance to 10 March 2023

	<u>Six months</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>
IFSL Marlborough US Multi-Cap Income Fund	(4.47)%	5.55%	44.86%	78.71%
IA North America Sector	(7.12)%	(0.16)%	47.36%	61.33%

External Source of Economic Data: Morningstar (P Income - quoted to quoted price, net income reinvested).

The performance figures above are based on quoted prices and will, therefore, differ from the performance in the Comparative Table.

Capital at risk. Past performance is not a reliable indicator of future performance; the value of your investment and any income from it can go down as well as up. Performance returns are based on the net asset value with distributable income reinvested and take account of all ongoing charges, but not entry charges (if applicable). The past performance of this unit class is calculated in sterling.

Investment commentary

There is an old market adage, the US Federal Reserve ('the Fed') raises rates until something breaks. Following central bankers raising policy rates with a speed and magnitude unlike anything we have seen since the late 1970s, the 'something that broke' was Silicon Valley Bank (SVB) in early March 2023. The seeds of this banking scare were sown back in 2020 when generous stimulus programs left consumers flush with cash, and banks therefore flush with deposits. SVB and other bank peers invested these excess deposits in assets that carried an imprudent level of interest rate risk. The market values of those investments declined meaningfully as interest rates rose throughout 2022, resulting in weakened balance sheets. When that weakness became apparent in early March, many depositor customers moved their assets away from SVB, triggering a downward spiral of confidence that ultimately led regulators to step in and close the bank.

SVB's failure resulted in a regional banking scare that negatively impacted markets in mid-March and added to a list of investor concerns that already included stubbornly high inflation and the potential for an economic slowdown. With this backdrop, over the six-month period ending March 10, 2023, the traditional US benchmark, the S&P 500, was down. It is times like these that careful stock selection is crucial. Quality is as important as ever in uncertain markets. Positive contributors to performance were water heater manufacturer, A.O. Smith (AOS), and plumbing distributor, Ferguson (FERG). Detractors included the regional bank, First Republic (FRC), and mobile tower operator, Crown Castle (CCI).

The Fund has very little exposure to banks, but prior to March 2023, owned First Republic (FRC) for several years. We are generally cynical of the bank business model. Banks offer a commoditized product that is both procyclical and highly levered and can be subject to confidence scares in stressed economic environments. FRC was different than peers in that it built a business serving an affluent customer base with renowned customer service and exceptional underwriting of credit risk. Its results over the last few decades have been outstanding. What isn't different about FRC is that its business model is dependent on maintaining the confidence of its deposit base to fund loans, and this confidence was shaken in the wake of SVB's demise. Given the two banks' overlap in customer type (affluent) and regional concentration (heavy Northern California), FRC also saw meaningful deposit flight, raising its funding costs and straining its capital ratios. As much as we admire management's history of running an excellent bank, we lost confidence in a reasonable downside scenario for the bank and quickly exited the position. We sustained a loss but were able to exit the position ahead of the more dramatic drop in shares in the days following SVB's collapse.

The recent banking scare is a good reminder that unexpected events occur frequently, and financial leverage magnifies mistakes. Our best defense against the unexpected is a keen focus on business quality. Sometimes it isn't just holding high quality, but avoiding low quality that can make all the difference. In the case of First Republic, we felt its underwriting abilities kept the model safe, but the combination of unexpected risk and leverage proved almost fatal. This only reinforces our emphasis on investing in companies with manageable leverage for their business model. This helps ensure poor timing or management mistakes are not life threatening and leads to less volatile investment performance. We also focus on companies with durable economics. A common attribute of companies we own is a sticky customer base, a recurring revenue business model, and replacement-driven demand. We endeavor to find all-weather types of businesses that are not reliant on the economic cycle to fully drive their business.

Boston Financial Management LLC
18 April 2023

Distributions

	<u>Year 2022</u>	<u>Year 2021</u>	<u>Year 2020</u>	<u>Year 2019</u>
<u>A Income (pence per unit)</u>				
Net income paid 10 November	10.5472	8.7503	8.3407	8.3024
<u>P Income (pence per unit)</u>				
Net income paid 10 November	10.8599	8.9412	8.4575	8.3478

IFSL MARLBOROUGH US MULTI-CAP INCOME FUND

AUTHORISED INVESTMENT MANAGER'S REPORT

for the six month period ended 10 March 2023

Portfolio changes

<u>Purchases</u>	<u>Cost (£)</u>
CDW	1,215,678
Total purchases for the period	1,215,678
<u>Sales</u>	<u>Proceeds (£)</u>
Air Products & Chemicals	573,778
Lockheed Martin	486,329
Microsoft	316,913
A O Smith	282,213
Cogent Communications	161,809
Crown Castle International	125,206
Equinix	21,934
Total sales for the period	1,968,182

IFSL MARLBOROUGH US MULTI-CAP INCOME FUND

AUTHORISED STATUS

IFSL Marlborough US Multi-Cap Income Fund (the Fund) is an authorised unit trust scheme within the meaning of the Financial Services and Markets Act 2000 and is a UCITS scheme operating under the Collective Investment Schemes Sourcebook (COLL) as issued by the Financial Conduct Authority.

GENERAL INFORMATION

Investment objective

The investment objective of the Fund is to provide income, that is, money paid out of an investment such as dividends from shares, with the potential for some increase in the value of an investment, over a minimum of 5 years.

Investment policy

At least 80% of the Fund will be invested in the shares of companies which are listed on stock markets or domiciled in the United States of America.

The Fund is actively managed, which means the investment manager decides which investments to buy or sell and when. Whilst the Investment Manager may invest in small, medium and large companies, in order to meet the income objective, there will typically be a bias towards larger companies.

The Fund may also invest in other types of security which are linked to the performance of a company, such as; investment grade bonds, which are loans typically issued by companies and governments, where the issuer has a higher capacity to repay the debt; bonds which may be converted into shares (known as convertible bonds); and preference shares.

In addition, the Fund may invest in other funds (including investment trusts) which offer exposure to North American companies and from time to time, may hold a small amount in investment grade bonds.

The Fund will normally hold an amount of cash to enable ready settlement of liabilities (including redemption of units) and efficient management of the Fund both generally and in relation to strategic objectives however may hold higher cash balances in certain circumstances, such as volatile market conditions.

The Fund may also hold money market instruments, a type of short-term loan, and funds that invest in these instruments as an alternative to holding cash.

Assessing performance

The Investment Association (IA), the trade body for UK investment managers, has created a number of 'sectors', as a way of dividing funds into broad groups with similar characteristics.

The Fund's investment policy puts it in the IA North America sector. You may want to assess the Fund's performance compared to the performance of this sector.

Rights and terms attaching to each unit class

A unit of each class represents a proportional entitlement to the assets of the Fund. The allocation of income and taxation and the rights of each unit in the event the Fund is wound up are on the same proportional basis.

Changes in prospectus

No significant changes have been made since the last report.

Up to date Key Investor Information Documents, Prospectus and Long Reports and Financial Statements for any fund within the AFM's range, can be requested by the investor at any time.

IFSL MARLBOROUGH US MULTI-CAP INCOME 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
Director



Helen Redmond
Director

Investment Fund Services Limited
28 April 2023

IFSL MARLBOROUGH US MULTI-CAP INCOME FUND
COMPARATIVE TABLE
A Income units

Change in net assets per unit	Period to 10.03.2023 pence	Year to 10.09.2022 pence	Year to 10.09.2021 pence	Year to 10.09.2020 pence
Opening net asset value per unit	772.25	705.67	637.29	588.97
Return before operating charges*	(31.06)	88.74	87.55	66.12
Operating charges	(5.78)	(11.61)	(10.42)	(9.46)
Return after operating charges*	(36.84)	77.13	77.13	56.66
Distributions on income units	-	(10.55)	(8.75)	(8.34)
Closing net asset value per unit	735.41	772.25	705.67	637.29

* after direct transaction costs of:

0.01 0.08 0.08 0.07

Performance

Return after charges^A (4.77)% 10.93% 12.10% 9.62%

Other information

Closing net asset value (£)	23,530,062	26,804,264	36,141,913	48,318,759
Closing number of units	3,199,576	3,470,939	5,121,633	7,581,923
Operating charges	1.57% ^{B,C}	1.57% ^B	1.58% ^B	1.59%
Direct transaction costs	0.00%	0.01%	0.01%	0.01%

Prices (pence per unit)

Highest unit price	782.02	815.25	728.50	661.88
Lowest unit price	701.03	676.75	607.94	485.53

P Income units

Change in net assets per unit	Period to 10.03.2023 pence	Year to 10.09.2022 pence	Year to 10.09.2021 pence	Year to 10.09.2020 pence
Opening net asset value per unit	798.07	723.79	648.75	595.13
Return before operating charges*	(32.10)	91.38	89.58	67.17
Operating charges	(3.13)	(6.24)	(5.60)	(5.09)
Return after operating charges*	(35.23)	85.14	83.98	62.08
Distributions on income units	-	(10.86)	(8.94)	(8.46)
Closing net asset value per unit	762.84	798.07	723.79	648.75

* after direct transaction costs of:

0.01 0.09 0.08 0.08

Performance

Return after charges^A (4.41)% 11.76% 12.94% 10.43%

Other information

Closing net asset value (£)	27,807,834	28,520,411	31,016,935	31,084,402
Closing number of units	3,645,302	3,573,664	4,285,376	4,791,396
Operating charges	0.82% ^{B,C}	0.82% ^B	0.83% ^B	0.84%
Direct transaction costs	0.00%	0.01%	0.01%	0.01%

Prices (pence per unit)

Highest unit price	810.65	842.10	747.12	673.68
Lowest unit price	725.03	698.15	621.12	492.57

^A The return after charges is calculated using the underlying investments bid prices.

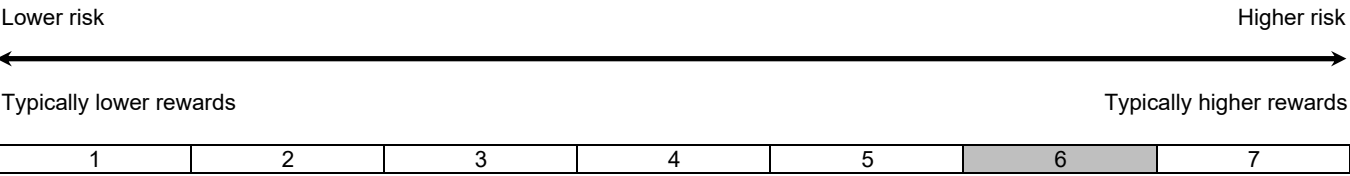
^B From 30 April 2021, the Operating Charges (or Ongoing Charges Figure) calculation has been extended to include, where relevant, charges incurred by closed-ended vehicles such as investment trusts.

^C These figures have been annualised.

Operating charges are the same as the ongoing charges and are the total expenses paid by each unit class in the period. Direct transaction costs are the total charges for the period, included in the purchase and sale of investments in the portfolio of the Fund. These amounts are expressed as a percentage of the average net asset value over the period and the average units in issue for the pence per unit figures.

IFSL MARLBOROUGH US MULTI-CAP INCOME FUND

SYNTHETIC RISK AND REWARD INDICATOR (all unit classes)



This indicator aims to give you a measure of the price movement of the Fund based on past data. It uses historic returns over the last five years. If five years' data is not available, simulated data based on a representative portfolio is used.

The Fund has been measured as 6 because its investments have experienced high volatility in the past. During the period the synthetic risk and reward indicator has remained unchanged.

IFSL MARLBOROUGH US MULTI-CAP INCOME FUND

PORTFOLIO STATEMENT

as at 10 March 2023

Holding or nominal value	Bid value £	Percentage of total net assets %
COMMUNICATION SERVICES (10 September 2022 - 6.41%)		
53,932 Cogent Communications	2,736,398	5.33
6,900 Nexstar Media Group	934,633	1.82
Total Communication Services	3,671,031	7.15
CONSUMER STAPLES (10 September 2022 - 1.71%)		
2,080 Costco Wholesale	831,428	1.62
Total Consumer Staples	831,428	1.62
FINANCIALS (10 September 2022 - 16.92%)		
36,319 Brown & Brown	1,678,614	3.27
14,463 CME Group 'A'	2,139,723	4.17
14,950 First Republic Bank	1,196,823	2.33
48,084 W R Berkley	2,561,967	4.99
Total Financials	7,577,127	14.76
HEALTH CARE (10 September 2022 - 8.58%)		
11,215 Becton, Dickinson and Company	2,171,650	4.23
12,641 STERIS	1,923,713	3.75
Total Health Care	4,095,363	7.98
INDUSTRIALS (10 September 2022 - 20.40%)		
31,260 A O Smith	1,757,577	3.42
15,655 Ferguson	1,789,758	3.49
3,550 IDEX	660,567	1.29
7,156 Lockheed Martin	2,839,666	5.53
30,900 Ritchie Bros. Auctioneers	1,496,691	2.91
11,130 Watsco	2,803,613	5.46
Total Industrials	11,347,872	22.10
INFORMATION TECHNOLOGY (10 September 2022 - 25.70%)		
31,254 Amphenol 'A'	2,031,393	3.96
13,186 Apple	1,655,149	3.22
17,442 Broadridge Financial Solutions	2,053,394	4.00
12,749 CDW	2,085,784	4.06
8,118 Mastercard 'A'	2,399,795	4.67
7,766 Microsoft	1,633,560	3.18
14,314 Visa 'A'	2,626,481	5.12
Total Information Technology	14,485,556	28.21
MATERIALS (10 September 2022 - 7.98%)		
9,450 Air Products & Chemicals	2,238,436	4.36
9,245 The Sherwin-Williams Company	1,674,553	3.26
Total Materials	3,912,989	7.62
REAL ESTATE (10 September 2022 - 9.42%)		
12,355 Crown Castle International	1,317,194	2.57
1,990 Equinix	1,132,772	2.21
18,248 FirstService	2,065,206	4.02
Total Real Estate	4,515,172	8.80
Portfolio of investments	50,436,538	98.24
Net other assets	901,358	1.76
Total net assets	51,337,896	100.00

PORTFOLIO TRANSACTIONS

for the six month period ended 10 March 2023

	£
Total purchases costs, including transaction charges	1,215,678
Total sales proceeds, net of transaction charges	1,968,182

IFSL MARLBOROUGH US MULTI-CAP INCOME FUND

STATEMENT OF TOTAL RETURN

for the six month period ended 10 March 2023

	10 March 2023		10 March 2022	
	£	£	£	£
Income:				
Net capital (losses)/gains		(2,516,651)		831,154
Revenue	434,066		533,056	
Expenses	<u>(307,542)</u>		<u>(372,123)</u>	
Net revenue before taxation	126,524		160,933	
Taxation	<u>(56,225)</u>		<u>(78,235)</u>	
Net revenue after taxation		<u>70,299</u>		<u>82,698</u>
Total return before distributions		(2,446,352)		913,852
Distributions		(9,551)		(64,453)
Change in net assets attributable to unitholders from investment activities		<u>(2,455,903)</u>		<u>849,399</u>

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the six month period ended 10 March 2023

	10 March 2023		10 March 2022	
	£	£	£	£
Opening net assets attributable to unitholders		^A 55,324,675		67,158,848
Amounts receivable on issue of units	18,284,427		11,202,136	
Amounts payable on cancellation of units	<u>(19,823,447)</u>		<u>(28,380,596)</u>	
		(1,539,020)		(17,178,460)
Dilution adjustment		7,718		17,614
Change in net assets attributable to unitholders from investment activities		(2,455,903)		849,399
Unclaimed distributions		426		-
Closing net assets attributable to unitholders		<u>51,337,896</u>	^A	<u>50,847,401</u>

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

IFSL MARLBOROUGH US MULTI-CAP INCOME FUND

BALANCE SHEET

as at 10 March 2023

	10 March 2023 £	10 September 2022 £
Assets:		
Fixed Assets:		
Investments	50,436,538	53,732,682
Current Assets:		
Debtors	296,125	1,385,556
Cash and bank balances	1,238,552	1,322,878
Total assets	<u>51,971,215</u>	<u>56,441,116</u>
Liabilities:		
Creditors:		
Distribution payable	-	754,188
Other creditors	633,319	362,253
Total liabilities	<u>633,319</u>	<u>1,116,441</u>
Net assets attributable to unitholders	<u><u>51,337,896</u></u>	<u><u>55,324,675</u></u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the six month period ended 10 March 2023

Basis for preparation

The interim financial statements have been prepared in compliance with Financial Reporting Standard (FRS) 102 and in accordance with the Statement of Recommended Practice (SORP) for UK Authorised Funds issued by the Investment Management Association (renamed to the Investment Association) in May 2014, and amended in June 2017.

The interim 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 interim 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 10 September 2022 and are described in those annual financial statements.

The investments of the Fund have been valued at their fair value at 12 noon on 10 March 2023.

Investment Fund Services Limited
Marlborough House
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Investment Fund Services Limited.
Registered in England and Wales (company registration number 06110770).
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