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THE MARLBOROUGH NO 2 OEIC

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

for the year ended 31 July 2021

THE MARLBOROUGH NO 2 OEIC

CONTACT INFORMATION

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

Investor Support: (0808) 145 2500 (FREEPHONE)

Authorised and regulated by the Financial Conduct Authority.

Depository

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 Advisers

Marlborough Far East Growth Fund

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

Marlborough Multi Cap Income Fund and Marlborough Nano-Cap Growth Fund

Hargreave Hale Limited
Talisman House
Boardmans Way
Blackpool
Lancashire
FY4 5FY

Authorised and regulated by the Financial Conduct Authority.

Auditor

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

Directors of Marlborough Fund Managers Ltd

Andrew Staley (Non-Executive)
Nicholas F J Cooling
Allan Hamer
Wayne D Green
Dom Clarke
Helen Derbyshire
Richard Goodall
Geoffrey Hitchin (Non-Executive)
Guy Sears (Independent Non-Executive)
David Kiddie (Independent Non-Executive)
Sarah Peaston (Independent Non-Executive)

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THE MARLBOROUGH NO 2 OEIC

AUTHORISED STATUS AND GENERAL INFORMATION

Authorised status

The Marlborough No 2 OEIC (the Company) is an investment company with variable capital incorporated under the Open Ended Investment Company (OEIC) Regulations 2001. It is a UCITS scheme as defined in the Collective Investment Schemes Sourcebook (COLL) and is an umbrella company for the purposes of the OEIC Regulations. The Company is incorporated in England and Wales with the registration number IC000415 and is authorised and regulated by the Financial Conduct Authority with effect from 21 October 2005. The shareholders are not liable for the debts of the Company.

The Company currently has three sub-Funds: Marlborough Far East Growth Fund; Marlborough Multi Cap Income Fund; and Marlborough Nano-Cap Growth Fund.

The sub-funds of the Company are segregated by law under the Protected Cell Regime. In the event that one sub-fund in the Company is unable to meet its liabilities, the assets of another sub-fund within the Company will not be used to settle these liabilities.

Investment objectives and policies

Marlborough Far East Growth Fund

The investment objective of the Fund is to provide capital growth, that is, to increase the value of your investment, over a minimum of 5 years. The Fund aims to outperform the average of the IA Asia Pacific excluding Japan sector over any 5 year period, however, there is no certainty this will be achieved.

At least 80% of the Fund will be invested in the shares of companies which are incorporated, headquartered, operating in or listed on stock markets in the Asia Pacific region (excluding Japan).

This may include up to 10% through funds (including exchange traded funds which typically track an index) which themselves invest in these markets or which gain exposure through financial instruments whose returns are linked to these markets (also known as derivatives). The Fund may also invest in shares of investment trusts and other securities whose returns are linked to company performance, such as depositary receipts.

The Fund may also hold money market instruments, a type of short term loan, and money market funds, which themselves invest in these instruments.

The Fund is actively managed which means the Manager decides which investments to buy or sell and when, and will maintain a relatively concentrated portfolio. The Fund will normally hold between 50 – 70 holdings in companies of a range of sizes and will not go outside this range for more than 3 consecutive months or exceed between 45 – 80 holdings.

The team approaches construction of the portfolio from three overlapping standpoints:

- economic and market conditions in each country and sector;
- a selection of companies which the team believes to be financially strong or whose valuations appear out of line with expectations; and
- companies which fit broader themes, such as, manufacturing automation, which the investment team believes are likely to drive share price returns over the medium term. Themes will change and this can often happen quickly.

The team use the Morningstar OIP Asia Ex Japan Net Return Index as a reference point for portfolio construction and risk management purposes, however, the Fund will not be constrained by the Index.

The Fund may invest in derivatives and forward transactions, including those whose returns are linked to exchange rates, in order to reduce risk (also known as hedging) although this is anticipated to be infrequent.

The Fund may hold cash to enable ready settlement of liabilities, for the efficient management of the Fund and in order to meet its objective. This will typically be below 10% but may from time to time exceed this level.

The Fund aims to be in the top half of all funds included in the IA Asia Pacific excluding Japan sector.

THE MARLBOROUGH NO 2 OEIC

AUTHORISED STATUS AND GENERAL INFORMATION

Investment objectives and policies (continued)

Marlborough Multi Cap Income Fund

The investment objective of the Fund is to provide income, that is, money paid out from an investment as dividends from shares, as well as to deliver capital growth, that is to increase the value of your investment, over a minimum of 5 years.

The Fund aims to deliver a greater income than the FTSE All-Share Index, over any 3 year period, however there is no certainty this will be achieved.

The Fund will invest at least 80% in the shares of companies and investment trusts listed on UK stock exchanges. This will include a range of small, medium and large companies, with a bias towards small and medium companies.

The Fund is actively managed, which means the manager decides which investments to buy and sell and when. Investments are selected based on individual company research.

The Fund invests in companies which the manager believes:

- have the ability to increase their dividends and offer the potential for growth; or
- companies which have previously paid steady dividends and are expected to continue to do so.

The Fund may also invest in companies which are listed on overseas stock exchanges, other securities which offer returns linked to the company performance, such as warrants, preference shares and convertible bonds, unquoted companies and other funds.

The Fund will normally be fully invested save for an amount to enable ready settlement of liabilities (including redemption of shares) and efficient management of the Fund both generally and in relation to strategic objectives however may hold higher cash balances in extreme market conditions.

The Fund's investment policy puts it in the IA UK Equity Income sector.

Marlborough Nano-Cap Growth Fund

The investment objective of the Fund is to increase the value of your investment by more than any increase in the FTSE SmallCap Index (ex-Investment Companies) over any 10 year period, however there is no certainty this will be achieved.

At least 80% of the Fund will be invested in the shares of very small companies and investment trusts listed on UK stock exchanges. These are companies whose market capitalisation (the market value of a company's shares) is £100m or less at the time the initial purchase is made.

The aim of the investment team is to identify companies which they believe show good long-term growth potential or which appear to be under-valued given their future prospects.

The team consider economic and market conditions but the main focus is on individual company analysis and selection.

Following the same investment philosophy the Fund may also invest in companies which are listed on overseas stock exchanges, the shares of larger companies, other securities which offer returns linked to the company performance, such as, preference shares, convertible bonds and warrants, and unquoted companies.

The Fund is actively managed, which means the investment manager decides which investments to buy or sell and when. The Fund invests in a diverse portfolio of investments and is not constrained by any industry or sector.

The Fund may hold cash, government bonds and money market instruments (short terms loans typically issued by governments and banks) to enable ready settlement of liabilities (including the redemption of units), for the efficient management of the Fund and in order to meet its objective.

The performance benchmark is the level of performance the Fund aims to deliver however there is no certainty this will be achieved.

The FTSE SmallCap Index (ex-Investment Companies) has been chosen as the performance target as it has similar aims and objectives to the Fund.

The Fund's investment policy puts it in the IA UK Smaller Companies sector.

THE MARLBOROUGH NO 2 OEIC

AUTHORISED STATUS AND GENERAL INFORMATION

Rights and terms attached to each share class

A share of each class represents a proportional entitlement to the assets of each sub-fund. The allocation of income and taxation and the rights of each share in the event that a sub-fund is wound up are on the same proportional basis.

Assessment of value

The ACD is required to carry out an assessment of value at least annually and publish its findings in a report to investors. The sub-funds of the Company are assessed and reported on, in a composite report which the ACD publishes on the website www.marlbroughfunds.com. The latest report was published by 31 March 2021.

Changes in prospectus

On 25 March 2021 the ACD introduced the dilution policy regarding dilution adjustment for Marlborough Far East Growth Fund and Marlborough Multi Cap Income Fund. Further details can be found in the latest Prospectus.

With effect from 26 November 2021, the ACD will change from Marlborough Fund Managers Ltd to another Marlborough Group company, Investment Fund Services Limited (IFSL). The name of the Marlborough No 2 OEIC will also change on the 26 November 2021 to IFSL Marlborough No 2 OEIC, and the names of the sub-funds will change from Marlborough Far East Growth Fund, Marlborough Multi Cap Income Fund and Marlborough Nano-Cap Growth Fund to IFSL Marlborough Far East Growth Fund, IFSL Marlborough Multi Cap Income Fund and IFSL Marlborough Nano-Cap Growth Fund respectively.

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.

Cross Holdings

The sub-funds of the Company do not hold shares in other sub-funds of the Company.

Remuneration policy

In line with the requirements of UCITS V, Marlborough Fund Managers Ltd is subject to a remuneration policy which is consistent with the principles outlined in the European Securities and Markets Authority guidelines on sound remuneration policies under UCITS V. The remuneration policies are designed to ensure that any relevant conflicts of interest can be managed appropriately at all times and that the remuneration of its senior staff is in line with the risk policies and objectives of the UCITS funds it manages.

The quantitative remuneration disclosures as at 30 September 2020 are set out below:

	Number of identified staff	Total remuneration paid	Fixed remuneration paid	Variable remuneration paid
		£	£	£
Remuneration paid to staff of the Authorised Fund Manager (AFM) who have a material impact on the risk profile of the Company				
Senior management	9	818,149	584,012	234,137
Risk takers and other identified staff	5	332,840	301,906	30,934
Allocation of total remuneration of the employees of the AFM to the Company				
Senior management	1.21	209,088	149,252	59,836
Risk takers and other identified staff	2.12	219,763	203,494	16,269

The total number of staff employed by the AFM was 193 as at 30 September 2020. The total remuneration paid to those staff was £8,734,877 of which £4,591,672 is attributable to the AFM.

The allocation of remuneration to the AFM is based on Assets Under Management (AUM), as staff work for two AFM's. The allocation of remuneration to the OEIC is based on AUM where staff are not directly allocated to the OEIC and the figures disclosed only include remuneration paid to individuals directly employed by the AFM's group. The way these disclosures are calculated may change in the future.


THE MARLBOROUGH NO 2 OEIC

AUTHORISED CORPORATE 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



WAYNE D GREEN
DIRECTOR

MARLBOROUGH FUND MANAGERS LTD

23 November 2021

STATEMENT OF AUTHORISED CORPORATE DIRECTOR'S RESPONSIBILITIES

The Financial Conduct Authority's Collective Investment Schemes Sourcebook (COLL) requires the Authorised Corporate Director (ACD) to prepare financial statements for each accounting year which give a true and fair view of the financial position of the Company comprising of its sub-funds and of its net revenue/(expenses) and the net capital gains for the year.

In preparing those financial statements the ACD is required to:

- comply with the disclosure requirements of the Statement of Recommended Practice relating to UK Authorised Funds issued in May 2014 and amended in June 2017;
- follow United Kingdom Generally Accepted Accounting Practice and applicable accounting standards;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in operation.

The ACD is required to keep proper accounting records and to manage the Company in accordance with the COLL rules, the Instrument of Incorporation and the Prospectus. The ACD is responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The ACD is responsible for ensuring that, to the best of its knowledge and belief, there is no relevant audit information of which the auditor is unaware. It is the responsibility of the ACD to take all necessary steps as a director to familiarise itself with any relevant audit information and to establish that the auditor is aware of that information.

THE MARLBOROUGH NO 2 OEIC

STATEMENT OF THE DEPOSITARY'S RESPONSIBILITIES AND REPORT OF THE DEPOSITARY

Statement of the Depositary's Responsibilities in Respect of the Scheme and Report of the Depositary to the Shareholders of The Marlborough No 2 OEIC ("the Company") for the period ended 31st July 2021

The Depositary must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI2001/1228), as amended, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Company's Instrument of Incorporation and Prospectus (together "the Scheme documents") as detailed below.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Company and its investors.

The Depositary is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Company in accordance with the Regulations.

The Depositary must ensure that:

- the Company's cash flows are properly monitored and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, repurchase, redemption and cancellation of shares are carried out in accordance with the Regulations;
- the value of shares of the Company are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
- the Company's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Fund Manager ("the AFM"), which is the UCITS Management Company, are carried out (unless they conflict with the Regulations).

The Depositary also has a duty to take reasonable care to ensure that the Company is managed in accordance with the Regulations and Scheme documents in relation to the investment and borrowing powers applicable to the Company.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depositary of the Company it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Company, acting through the AFM:

(i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's income in accordance with the Regulations and the Scheme documents of the Company; and

(ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

HSBC BANK PLC

LONDON

23 November 2021

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MARLBOROUGH NO 2 OEIC

Opinion

We have audited the financial statements of Marlborough No 2 OEIC ("the Company"), comprising each of its sub-funds, for the year ended 31 July 2021 which comprise the Statement of Total Return, the Statement of Change in Net Assets Attributable to Shareholders, the Balance Sheets, the related notes and the Distribution Tables, and the accounting policies of the Company as set out on pages 9 and 10, which include a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Company comprising of its sub-funds as at 31 July 2021 and of the net revenue/expenses and the net capital gains on the scheme property of the Company comprising its sub-funds for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's ("FRC") Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Authorised Corporate Director's (the "ACD") use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the ACD with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report other than the financial statements and our audit report thereon. The ACD is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our audit report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

THE MARLBOROUGH NO 2 OEIC

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MARLBOROUGH NO 2 OEIC

Opinions on other matters prescribed by the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority ("the FCA")

In our opinion:

- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice relating to Authorised Funds, the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority and the Instrument of Incorporation;
- there is nothing to indicate that adequate accounting records have not been kept or that the financial statements are not in agreement with those records; and
- the information given in the ACD's report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter in relation to which the Collective Investment Schemes Sourcebook of the Financial Conduct Authority rules requires us to report to you if, in our opinion:

- we have not received all the information and explanations which, to the best of our knowledge and beliefs, are necessary for the purpose of our audit.

Responsibilities of the Authorised Corporate Director (the "ACD")

As explained more fully in the Statement of ACD's Responsibilities set out on page 5, the ACD is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the ACD determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the ACD is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the ACD either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MARLBOROUGH NO 2 OEIC

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are United Kingdom Generally Accepted Accounting Principles, the Investment Management Association Statement of Recommended Practice, the FCA Collective Investment Schemes Sourcebook, the Instrument of Incorporation and the Prospectus.
- We understood how the Company is complying with those frameworks through discussions with the ACD, the Investment Manager and the Company's administrators. We corroborated our enquiries through a review of the Company's documented policies and procedures.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the risk management override, specifically management's propensity to influence revenue and amounts available for distribution. We identified fraud risks in relation to incomplete or inaccurate revenue recognition through incorrect classification of special dividends and the resulting impact to amounts available for distribution and incorrect valuation of unquoted investments. In response to our fraud risks, we tested the appropriateness of management's classification of material special dividends as either a capital or revenue return and tested a sample of unquoted investment valuations by reviewing the prices used, agreed the valuation inputs to external sources and providing challenge to management's valuations.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the ACD with respect to the application of the documented policies and procedures and review of the financial statements to test compliance with the reporting requirements of the Company.
- Due to the regulated nature of the Company, the Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, including the use of specialists where appropriate, to identify non-compliance with the applicable laws and regulations.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's Shareholders, as a body, pursuant to Paragraph 4.5.12 of the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority. Our audit work has been undertaken so that we might state to the Company's Shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's Shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP
Statutory Auditor
Edinburgh

23 November 2021

- Notes:
1. The maintenance and integrity of the Marlborough Fund Managers Ltd website is the responsibility of the ACD; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
 2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS - ACCOUNTING, DISTRIBUTION AND RISK MANAGEMENT POLICIES

for the year ended 31 July 2021

1.1 ACCOUNTING POLICIES

During the year under review, The Marlborough No 2 OEIC consisted of three sub-funds: Marlborough Far East Growth Fund; Marlborough Multi Cap Income Fund; and Marlborough Nano-Cap Growth Fund.

These accounting policies apply to all the sub-funds of the Company.

Basis of accounting

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

The financial statements are prepared in sterling, which is the functional currency of the sub-funds. 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.

There are no material events that have been identified that may cast significant doubt about the Company's ability to continue as a going concern for at least the next twelve months from the date these financial statements are authorised for issue. The ACD believes that the Company has adequate resources to continue in operational existence for the foreseeable future and, following the consideration of the impact of COVID-19, they continue to adopt the going concern basis in preparing the financial statements.

Revenue

Dividends from quoted ordinary and preference securities are recognised when the security is quoted ex-dividend.

Dividends from non-quoted securities are recognised when the right to receive payment is established.

Interest on debt securities is recognised on an accruals basis. Accrued interest purchased and sold on debt securities is excluded from the capital cost of these securities and is treated as revenue. Interest earned from debt securities is accounted for on an effective yield basis. Effective yield is where the interest arising on the security that is purchased at a discount or premium to the maturity value is amortised and recognised at a consistent rate over the life of the security.

Bank interest is accounted for on an accruals basis.

Allocation of revenue

Revenue, attributable after expenses to multiple share classes, with the exception of the ACD's fee, which is directly attributable to individual share classes, is allocated to share classes pro-rata to the value of net assets of the relevant share class on the day that the revenue is incurred.

Expenses

All expenses, other than those relating to purchase and sale of investments, are charged against revenue on an accruals basis. On Marlborough Multi Cap Income Fund the ACD's periodic charge is treated as a capital expense. This may constrain capital growth.

Valuation

The valuation point was 12:00 on 30 July 2021, being the last valuation point of the accounting year.

Where applicable, investment valuations exclude any element of accrued revenue.

Investments which are unquoted are held at fair value, which is initially equal to cost and thereafter requires significant estimation in concluding on their fair value. While there is a robust and consistent valuation process undertaken by the ACD's Fair Value Pricing Committee, it is recognised that in stating these assets at fair value there is a significant element of estimation uncertainty. In line with the ACD's Fair Value Policy for reviewing investment valuations, the assumptions and estimates made in determining the fair value of each unquoted investment are considered at least each six months or sooner if there is a triggering event. The judgements to the estimations of fair value are considered on an ongoing basis including considering impact of events in the wider market. In making these estimates, appropriate care is taken to consider the nature and inherent uncertainties of market events and their impact on the fair value of unquoted assets.

The ACD has followed the IA's Authorised Funds: Fair Value Pricing Guidance July, 2019 to implement a Fair Value Pricing Policy, and takes into account individual stock specific fair value pricing, sector fair value pricing, market fair value pricing and fund fair value pricing as is necessary.

NOTES TO THE FINANCIAL STATEMENTS - ACCOUNTING, DISTRIBUTION AND RISK MANAGEMENT POLICIES

for the year ended 31 July 2021

ACCOUNTING POLICIES (continued)

For stock specific fair value pricing as is the case with unquoted investments, the ACD will consider these factors in determining the fair value of investments: a) the price of a recent investment, whilst an indicator of fair value, is not a default that would preclude re-estimating the valuation at the valuation date. However, if the price of recent investment is determined to be fair value then it is used to calibrate inputs to the valuation model(s); or b) where a value is indicated by a recent material arms-length transaction by an independent third party in the shares of a company, and after it is established that this is fair then this value will be used, unless the rights attributable to the shares impact the overall capital structure and rights of existing investors; or c) in the absence of (a and b) and depending upon both the subsequent trading performance and investment structure of an investee company, the valuation basis will usually move to an earnings multiple basis or, if appropriate, other valuation models such as: i) Adjusted recent transaction prices (which consider the company's performance against key milestones and the complexity of the capital structure) are also used; or ii) Discounted cash flow model which values a business based on estimates of future cash-flows with an appropriate discount rate.

To ensure that the ACD values the unquoted investments appropriately, an independent valuation provider is engaged to provide an appraisal.

Taxation

Corporation tax has been provided for at 20% on taxable income less expenses. Deferred taxation is provided on a full provision basis on timing differences arising from the different treatment of items for accounting and tax purposes. Potential future liabilities and assets are recognised where the transactions, or events giving rise to them, occurred before the balance sheet date.

Exchange rates

Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates prevailing at 12:00 on 30 July 2021 being the last valuation point of the accounting year. Revenue and expenditure transactions are translated at the rates of exchange ruling on the dates of the transactions. Exchange differences on such transactions follow the same treatment at the principal amounts.

1.2 DISTRIBUTION POLICIES

The distribution policy for each sub-fund is to distribute or accumulate all available revenue, after deduction of expenses properly chargeable against revenue. Gains and losses on non-derivative instruments and currencies, whether realised or unrealised, are taken to capital and are not available for distribution.

Equalisation

Equalisation applies only to shares purchased during the distribution period. It is the average amount of income included in the purchase price of all group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable to UK income tax but must be deducted from the cost of the shares for UK capital gains tax purposes.

Stock and special dividends

Stock received in lieu of cash dividends is credited to capital in the first instance followed by a transfer to revenue of the cash equivalent and this forms part of the distributable revenue of the sub-fund.

Special dividends are reviewed on a case by case basis in determining whether the dividend is to be treated as revenue or capital. Amounts recognised as revenue will form part of the distributable revenue of the sub-fund. Amounts recognised as capital are deducted from the cost of the investment.

1.3 RISK MANAGEMENT POLICIES

In pursuing the investment objectives, the sub-funds hold a number of financial instruments. The sub-funds' financial instruments comprise securities, together with cash balances, debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for issues and payable for redemptions and debtors for accrued income.

The main risks arising from the sub-funds' financial instruments and the ACD's policies for managing these risks are summarised below. The ACD reviews (and agrees with the Depositary) the policies for managing each of these risks. The policies have remained unchanged since the beginning of the year to which these financial statements relate.

The sub-funds are managed according to the COLL 5, 'Investment and Borrowing Powers' which helps achieve the statutory objective of protecting consumers by laying down the minimum standards for the investments that may be held by an authorised fund. In particular: (a) the proportion of transferable securities and derivatives that may be held by the authorised fund is restricted if those transferable securities and derivatives are not listed on an eligible market. The intention of this is to restrict the transferable securities and derivatives that cannot be accurately valued and readily disposed of; and (b) authorised funds are required to comply with a number of investment rules that require the spreading of risk.

NOTES TO THE FINANCIAL STATEMENTS - ACCOUNTING, DISTRIBUTION AND RISK MANAGEMENT POLICIES

for the year ended 31 July 2021

RISK MANAGEMENT POLICIES (continued)

Market price risk

Market price risk is the risk that the value of a sub-fund's investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises mainly from uncertainty about future prices of financial instruments the sub-fund holds. It represents the potential loss a sub-fund might suffer through holding market positions in the face of price movements. The sub-fund's investment portfolio is exposed to market price fluctuations which are monitored by the ACD in pursuance of the investment objective and policy as set out in the Prospectus.

Foreign currency risk

The income and capital value of the sub-funds' investments can be affected by foreign currency translation movements as some of a sub-fund's assets and income may be denominated in currencies other than sterling which is the sub-fund's functional currency.

The ACD has identified three areas where foreign currency risk could impact the sub-funds. These are, movements in exchange rates affecting the value of investments, short term timing differences such as exposure to exchange rate movements in the period between when an investment purchase or sale is entered into and the date when settlement of the investment occurs, and finally, movement in exchange rates affecting income received by a sub-fund. The sub-funds convert all receipts of income, received in currency, into sterling of the day of receipt.

To manage foreign currency risk the sub-funds are permitted to invest in forward foreign currency contracts for the purpose of reducing the exposure of the sub-funds to a foreign currency.

The foreign currency exposure within the sub-funds is monitored to ensure that this is manageable and sensible.

Interest rate risk

Interest rate risk is the risk that the value of the sub-funds' investment holdings will fluctuate as a result of changes in interest rates. The sub-funds' cash holdings are held in deposit accounts, whose rates are determined by the banks concerned on a daily basis.

Liquidity risk

The sub-funds' assets comprise mainly of readily realisable securities. The main liability of the sub-funds is the redemption of any shares that investors wish to sell. Assets of the sub-funds may need to be sold if insufficient cash is available to finance such redemptions. The liquidity of the sub-funds' assets is regularly reviewed by the ACD.

Credit and counterparty risk

Certain transactions in securities that the sub-funds enter into expose them to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the sub-funds have fulfilled their responsibilities. The sub-funds only buy and sell investments through brokers which have been approved by the ACD as an acceptable counterparty.

Derivatives and other financial instruments

The ACD is permitted to use derivatives for the purposes of efficient portfolio management. Forward currency transactions may also be entered to hedge the portfolio against currency movement. Investment performance of derivatives can be volatile and may present greater risks than traditional investments.

The ACD is obliged through FCA rules to put in place a risk management policy which sets out how the ACD measures and monitors these risks.

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Percentage change and sector position to 31 July 2021

	<u>Six months</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>
Marlborough Far East Growth Fund	4.55%	18.81%	20.71%	61.78%
IA Asia Pacific excluding Japan	-2.78%	18.45%	27.32%	64.70%
Quartile Ranking*	1	2	3	2

* Based on ranking within The Investment Association's Asia Pacific excluding Japan sector.

Launched 31 October 2005.

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

2020 was an extraordinary year by any standards, as COVID 19 gripped the world and governments resorted to measures of unprecedented extremity to try to protect their healthcare infrastructure from being overwhelmed. Our period of review starts in the middle of that year, when markets had bounced from their lowest points and were trading optimistically in the hope that the virus could be vanquished relatively quickly. At the start of the period, interest rates were at their lows and governments were still launching new stimulus packages on a daily basis. Although much of the stimulus monies globally did find their way to those in greatest need, individuals able to shift their work base to their homes started to build pools of savings, which have found their way to assets of every type. As stock market valuations became stretched, money pushed into early-stage companies, especially in the tech sector, which promised vast growth and the possibility of profit (well into the future), should the world have to work remotely indefinitely and rates remain low forever. In Asia, the principal focus was on the companies in China's online tech sector, led by Alibaba and Tencent. Semiconductors, especially in Korea and Taiwan, prospered when COVID social distancing, Sino-US tensions and catastrophic mis-ordering by the global auto industry exacerbated already tight supply.

On 2nd November 2020, the Pfizer Biontech consortium made their now historic announcement and this was quickly followed by similar announcements by Astra Zeneca, Moderna and Johnson and Johnson. Russia had registered its Sputnik V vaccine in August, but failure to disclose normal data associated with vaccine trials led to scepticism and mistrust of the vaccine and slow uptake outside Russia, although it has since gone on to be proven very effective. China also went its own way in the race for vaccines, developing three principal ones, of which Sinovac appears the most effective. Like Russia, it also withheld vital trial data from the global scientific community, which led to widespread mistrust of its jabs, further exacerbated by widely differing real world experience of their efficacy. However, China's unrelenting vaccine diplomacy and the hoarding of vaccine by wealthier nations made Sinovac jabs the dominant vaccine across much of the Emerging World. The vaccines changed the markets in an instant, with investors dropping loss-making tech companies in favour of "opening up" plays, especially in the tourism and leisure sectors, which had been hit so hard by lockdowns, causing the single largest "factor rotation" in markets on record. As a result, over the whole period to the end of July, Asian markets, as measured by the Morningstar Asia Ex Japan Index in sterling terms, rose by 14.64%.

The nature of our investment process is to seek well-managed companies with strong revenues backed by good products which can stand out from their competition. We like solid balance sheets and good cash flow and like to be able to assess companies over the economic cycle, so the fund's performance had been poor when markets were rushing for glamorous predictions over real profits, but it has bounced back very strongly ever since that change in style at year end and for the full year to the end of July, the fund rose by 18.81% in sterling terms, outperforming the index by 4.17%. That strong performance is accelerating still further in 2021, with the fund ahead of its benchmark by 9.14% between the end of December and period end on 31st July and it continued to expand its lead post the period end.

In general, because Asia controlled the initial outbreak of COVID so well, Asian countries have proved slow to roll out their vaccination programmes. This has been particularly true of ASEAN, which depends on tourism for so much of its economic lifeblood. At the time of writing (in early September), Singapore is catching up fast and has now vaccinated 78% of its population and Malaysia, despite a political hiatus, is also racing ahead, with 63% vaccinated, but the Philippines, which would ordinarily derive some 14% of its GDP from tourism, had recent experience with a botched roll-out of a vaccine for Dengue fever, and this has made the population exceptionally vaccine-hesitant. Further controversy over the efficacy of Sinovac and scurrilous social media have left the take-up of COVID vaccinations at a meagre 17% of the population. Thailand's population has been watching the Philippines via social media and mistrust of its own military regime and the Sinovac vaccines has left just 33% vaccinated. Indonesia sits between the two, pressurised by the same online misinformation and hampered by its archipelagic structure, but less ideologically opposed to the vaccines than the Philippines. North Asia has fared better, after a slow start. Japan, Taiwan and Korea are all hovering around the 50-60% mark and should complete their programmes before year end. China does not publish its data to the same standards as the rest of the world, so it remains unknown what percentage of its population have been vaccinated and with which jabs. This has left ASEAN with longer, deeper lockdowns than the rest of Asia and the Thai Baht and Filipino Peso have been the worst performing currencies in the region, falling by 11.9% and 9.5% respectively over the period against Sterling.

It is worth noting that sterling has also been exceptionally strong over this period, driven by the promise of opening-up and against the US Dollar, Sterling rose by 6% this fund year. We do not hedge the portfolio currency, so the already strong performance would have been considerably better had Sterling remained unchanged.

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The best performing countries this year have been Korea, Taiwan and India. The former two are tech-heavy countries, with each containing some of the best semiconductor manufacturers globally. In Taiwan, the dominance of Taiwan Semiconductor – the only company globally capable of producing 3 nanometer chips on a commercial scale – is driving the entire economy, pushing up national wages as it searches for more engineers and accelerates the building of new capacity. Demand for semiconductors exploded in 2020, boosting the Taiwanese economy into positive GDP when most of the rest of the world contracted. Our holding in Elan Microelectronics, the world's largest maker of computer trackpads, is a good illustration of market patterns this period. The company surged 220% from its lows in March 2020 to a peak of NT\$224 before falling back as the re-opening trade began to take over and recording just 14% from July to July. TSMC has been the star of Taiwan, rising 171% from trough to peak. Unlike other stocks, though, TSMC has mostly held its value as markets rotated and ended the period +35%. Investors now are focused on companies which have some degree of pricing power with both customers and suppliers. TSMC sprinkles fairy dust on all those associated with it, so is able to get the best deals on its raw materials and has a queue of customers waiting to replace any who back away from higher prices, so we expect the company to continue to outperform after it has paused to catch its breath a little.

In Korea, our holdings in Samsung Electronics and SK Hynix tell a similar story to TSMC, but Korea has been buoyed by the return of the ship-building cycle as well, after a decade in the wilderness. Complex environmental legislation is pushing ship-owners towards ships capable of running dual fuels (in which Korea Shipbuilding and Offshore Engineering, KSOE, which we hold, has global leadership). We have also benefited from holding tour operator Modetour. We have known this company for many years and extensive discussion with management in 2020 showed that it had both ample cash on its balance sheet to see it through the next two years and credible plans to steer the company back to health. The company has been innovative in the creation of more internal travel within Korea and is starting to see overseas travel returning in a highly limited way, so we initiated a holding in October 2020 and have been rewarded by a rise of 112% over the period.

The Indian market has been a strong performer this period, rising 34.3% in Sterling terms. Waves of COVID have caught the world's attention throughout this period, yet in between each wave, the economy bounces back more strongly. The weakness of the Rupee has helped exporters considerably, but inflation has still risen to over 12%. The prospect of rising rates and a possible ending to the banking reform crisis which has troubled the sector throughout 2019 and 2020 has caused our holding in ICICI Bank to almost double this year, whilst the green agenda has been very positive for our holding in gas pipeline operator Gujarat State Petronet, which rose more than 60%.

ASEAN has lagged behind North Asia this period, dragged down by slow vaccine campaigns and Malaysia has been the worst performing country of all. Investors have drawn breath at the political manoeuvring which saw Malaysia's long-standing Prime Minister Mahathir Mohammad ousted from power and replaced by Tan Sri Muhyiddin Yassin in 2020. Prime Minister Muhyiddin then declared a State of Emergency to enforce COVID lockdowns, suspending not only daily life, but also Parliament. The other parties and the King united against the suspension of legislative oversight and a new PM, Dato Seri Ismail Sabri Yakob, has just been chosen. General elections will ensue at some point, possibly in the fourth quarter of 2021, but maybe not until 2022. The Ringgit fell over 6% against Sterling as the political swings raged and the KLSE Index fell by 9% this period, underperforming the regional indices by 23%. We have held just one single stock in Malaysia in this period: Inari Amertron. Inari benefited substantially from the weaker Ringgit and saw an influx of new orders for its 5G chips for smartphones and RFID. The stock rose by over 53% in Sterling terms over the period under review.

Indonesia was also a poor performer this period, which has been unexpected, because the country is *the* key beneficiary from the creation of the giant new trade treaty the Regional Comprehensive Economic Partnership, which links fifteen Asian nations together in a treaty which will see trade tariffs drop by an average of 92%. The countries, spanning China to New Zealand, will be able to control inflation more easily as they reap the outsourcing benefits seen in the West between the mid 1990's and 2013. Together they represent 30% of the world's population, 29% of global trade and 30% of global GDP (US\$26trillion), making it the largest trading bloc ever and in our view, *the* most reliable investment opportunity over the coming years will be the growth in trade across this bloc. Indonesia sits at its geographical heart, the largest country in the ASEAN Economic Community (AEC) by both population and geography. In November last year, President Joko Widodo (Jokowi) pushed through a transformative labour bill, the Omnibus Bill, which makes the location of new manufacturing plant in Indonesia much easier than before. In 2015, President Jokowi banned the export of unrefined ores from Indonesia's substantial reserves, forcing the copper and nickel smelters to the country. Now, the world's largest electric car battery makers, CATL, LG and Tesla as well as the automakers are coming, too and Hyundai Motor has said it wants to make Indonesia the centre of its ASEAN EV business. However, measures to control COVID 19 have been biting hard at the economy, despite tourism's lowly 4% contribution to GDP. Performance of economic proxy Bank Mandiri has been poor, falling 5.8% during the period under review, but our holding in energy distributor and industrial estate owner AKRA Corporindo has fared well, rising 16% over the fund's year. Consumer and business confidence continue to rebound sharply in between waves of COVID, so we remain optimistic over the longer term.

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Of the poor performers during the period under review, China has been the most significant. The sudden and unexpected cancellation of the Initial Public Offering (IPO) of Ant Group, the financial division of Alibaba, in early November 2020 marked the start of a slew of new regulations which have rained down on the country ever since. Initially, regulators targeted the new fintech companies, as Beijing (quite properly) sought to rein in these financial behemoths who were operating in only partially regulated spheres, despite handling trillions of dollars' worth of consumer deposits, loans and investments. The giant internet platforms started to fall back rapidly from early November, but then, as America sought to increase the decoupling of the two nations by challenging the listing of numerous Chinese companies on the American exchanges in ADR formats, the fear spread, first to the telecom sector (delisted from the US on security grounds), then to the wider tech companies. Meituan, the food delivery behemoth, was fined heavily for gig-economy style violations similar to those of Uber and Deliveroo and ride-hailing app Didi faced comparable accusations. Then successive waves of new regulation started to come out – the government sought to control after work drinking, hitting the alcohol companies; exclusive music streaming was banned, scrapping upcoming IPOs in HK. Online gaming was to be restricted by age and by time spent online and gambling faced further restrictions. Property services companies also face new scrutiny. We Chat, Tencent's mighty social media app, was investigated and briefly prevented from taking new subscribers; healthcare and drug makers were forced into the spotlight, along with health insurers and general insurance. However, the greatest – and perhaps least expected – blow of all came when Beijing declared that all after-school education providers should now become not-for-profit entities. Hours of potential tuition were severely curtailed (in some cases banned altogether) and the industry was told it could no longer employ foreign teachers (even to teach foreign languages). This sector was very widely held (although not by us), with many investors holding very large companies quoted in New York. Most of the sector's shares have fallen by more than 80% since the ruling and now both the SEC in New York and Beijing are also investigating the legal structure, Variable Interest Entities, through which they were listed.

Many of these companies' sole barrier to entry is size and we have always felt that the pressure they put on parents and children alike would eventually bring unfavourable government attention, although we had only expected a restriction of prices, rather than effectively ending the industry. We did have a very small holding in an adult education provider, OFFCN, which was also hit in the general fallout, when two of the large school age tutor groups said that they would now move into adult education instead. We sold out rapidly, escaping with minimal damage to the fund. The onslaught has continued, with new antitrust rules for the internet sector and the SEC requiring greater disclosure from Chinese companies seeking US listings. Over the period under review, the index of Chinese US-listed ADRs has fallen by more than 19% as a result. For us, the worst performers were Alibaba (-27%) and Tencent (-15%), but as we were underweight in both stocks, the damage has been limited. Nissin Foods, a HK listed noodle maker, fell sharply as the curtailment of the food delivery apps was expected to hurt sales and declined by 29% over the period.

All this probably gives the impression that investors should shy away from China and that there are no meaningful profits to be made there. We feel that this is simply not true and our best performers this period have included Pacific Basin Shipping (+242%), Xinyi Glass (+139%), Contemporary Amperex (CATL) (+163%) and CIMC Enric Energy (+110%). Of these, all but CATL are listed in HK and all benefit from the increased focus on decarbonisation of the world. We still see immense value in these themes, although we will seek to keep the exposure to these individual companies controlled.

Looking ahead, the second half of 2021 and 2022 look likely to be a volatile trading period in global markets. Successive waves of COVID are likely in the Northern hemisphere, but we hope that the full vaccination status of increasing numbers of countries will diminish mortality rates to levels where economies can remain open. Winter will bring with it more reports of the impact of climate change and so we expect the drum-beat of carbon reduction and the greening of stock markets to grow stronger over the coming year, possibly led by carbon taxes.

More general taxes look likely to rise in every country, whether overtly in the form of higher headline rates, or by stealth in the adjustment of thresholds and removal of concessions. Markets, of all types mostly seem rather fully priced at present and investors are jittery, so this will undoubtedly cause volatility. Beijing has shocked regional markets with tighter regulation for new industries and overt income redistribution, but in truth, the dramatic stimulus put in place to address COVID 19 lockdowns has exacerbated income inequality everywhere, which will have to be addressed globally if social unrest is to be avoided.

Despite this apparently gloomy outlook, we are optimistic on Asian markets and especially ASEAN. It is easy to focus on China, as its gravitational pull dominates the region, but we need to remember that it represents less than 50% of Asian indices and that the outlook for the other 57% is very different. The giant RCEP trade treaty signed in November 2020 will bring lower trade tariffs to the whole region (excluding India), enabling the cost-heavy countries of North Asia to outsource to ASEAN in the same way the rest of the world did to China from the mid 1990's to 2013. That will bring deeper prosperity to ASEAN just as it experiences its big bounce from the base effect of COVID lockdowns this year, potentially bringing very strong rates of GDP and earnings growth. Indonesia is ramping up its new energy credentials and both it and the Philippines are becoming global leaders in geothermal power. Malaysia is on the verge of a new era, led by a fresh Prime Minister, who may bring a revival in its fortunes. In China, 2022 will be the year in which Xi Jinping should have stepped down. However, it is not our central scenario that he does so. Although his reforms have been characterised as Maoist, in essence they feel more "Wee Free" in their approach – paternalistic towards the general mass of people, but disapproving of a range of activities and designed to encourage a return to a halcyon "healthier" lifestyle (which may never have really existed in China before). If he is successful, redistribution of wealth ought to bring wealth to a wider swathe of the population, which may make him more domestically popular by the time of the Two Meetings in 2022.

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In 2022, ASEAN and India should finally reach full vaccination status and we would then expect to see those economies opening up to tourism and economic growth resuming once more. This should imply GDP growth of 6-9% in these countries, better than North Asia, which could see perhaps 3-5% as it starts from a high base this year.

2022 may also be the year when Asia subdivides again, as calls to consider China an investment destination in its own right (like the US) grow.

In terms of valuation, Asia is dramatically cheaper than the US markets in aggregate offering similar growth at half the Price/Earnings ratio and within that, many markets offer dramatically superior growth, led by ASEAN. Propelled by lower tariffs under the new trade treaty, we see increasing trade in the RCEP area as the single most reliable investment theme in the coming years ahead.

Sally Macdonald / Jing Liang
Marlborough Fund Managers Limited
6 September 2021

Distributions (pence per share)

	<u>Year 2021</u>	<u>Year 2020</u>	<u>Year 2019</u>	<u>Year 2018</u>
<u>A Income</u>				
Income paid 31 March	0.0517	0.2135	0.8407	0.6772
Income paid 30 September	1.6752	1.9919	2.3885	2.1885
<u>A Accumulation</u>				
Accumulation paid 31 March	0.0796	0.2588	1.0115	0.8120
Accumulation paid 30 September	2.0645	2.4282	2.8864	2.6120
<u>B Income</u>				
Income paid 31 March	0.6840	0.8190	1.4182	1.2658
Income paid 30 September	2.4330	2.6200	3.7660	2.8357
<u>B Accumulation</u>				
Accumulation paid 31 March	-	0.9834	1.6976	1.5482
Accumulation paid 30 September	4.7000	3.1640	3.6191	3.3642
<u>P Income</u>				
Income paid 31 March	0.9901	1.0890	1.6762	1.6105
Income paid 30 September	2.7068	2.8104	3.2461	3.1114
<u>P Accumulation</u>				
Accumulation paid 31 March	1.1801	1.2766	1.9271	1.8172
Accumulation paid 30 September	3.2453	3.3256	3.7640	3.5305

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Portfolio changes

Largest purchases	Cost (£)
Alibaba Group Holding	1,697,883
Pacific Basin Shipping Ltd	807,411
A-Living Smart City Services Co Ltd	804,463
KB Financial Group Inc	785,633
HSBC Holdings Plc	604,152
Postal Savings Bank of China Co Ltd 'H'	599,248
Tingyi (Cayman Islands) Holding Corp	514,028
Nissin Foods Co Ltd	512,518
Midea Group Co Ltd 'A'	434,230
Contemporary Amperex Technology Co Ltd 'A'	408,721
Other purchases	5,063,871
Total purchases for the year	12,232,158
Largest sales	Proceeds (£)
Alibaba Group Holding Ltd - SP ADR	2,636,315
Samsung Electronics Co Ltd	1,188,920
Inari Amertron Bhd	1,024,735
China Overseas Land & Investment Ltd	856,263
Pacific Hospital Supply Co Ltd	766,409
Xinyi Glass Holdings Ltd	761,095
Taiwan Semiconductor Manufacturing Co Ltd	714,795
Power Grid Corporation of India Ltd	665,217
King Yuan Electronics Co Ltd	622,589
AAC Technologies Holdings Inc	613,276
Other sales	9,640,263
Total sales for the year	19,489,877

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COMPARATIVE TABLE

A Income shares

Change in net assets per share	Year to 31.07.2021 pence	Year to 31.07.2020 pence	Year to 31.07.2019 pence
Opening net asset value per share	229.11	235.72	234.20
Return before operating charges*	45.29	(0.63)	8.47
Operating charges	(4.18)	(3.77)	(3.72)
Return after operating charges*	41.11	(4.40)	4.75
Distributions on income shares	(1.73)	(2.21)	(3.23)
Closing net asset value per share	268.49	229.11	235.72

* after direct transaction costs of: 0.38 0.36 0.22

Performance

Return after charges 17.94% -1.87% 2.03%

Other information

Closing net asset value (£)	1,858,105	4,580,875	5,641,258
Closing number of shares	692,055	1,999,458	2,393,187
Operating charges	1.67% ^A	1.68%	1.66%
Direct transaction costs	0.15%	0.16%	0.10%

Prices

Highest share price	286.00p	245.30p	240.64p
Lowest share price	223.82p	186.84p	203.19p

A Accumulation shares

Change in net assets per share	Year to 31.07.2021 pence	Year to 31.07.2020 pence	Year to 31.07.2019 pence
Opening net asset value per share	282.42	287.78	282.01
Return before operating charges*	55.94	(0.75)	10.26
Operating charges	(5.27)	(4.61)	(4.49)
Return after operating charges*	50.67	(5.36)	5.77
Distributions on accumulation shares	(2.14)	(2.69)	(3.90)
Retained distributions on accumulation shares	2.14	2.69	3.90
Closing net asset value per share	333.09	282.42	287.78

* after direct transaction costs of: 0.48 0.44 0.26

Performance

Return after charges 17.94% -1.86% 2.05%

Other information

Closing net asset value (£)	18,612,101	20,662,212	27,406,228
Closing number of shares	5,587,728	7,316,257	9,523,378
Operating charges	1.67% ^A	1.68%	1.66%
Direct transaction costs	0.15%	0.16%	0.10%

Prices

Highest share price	352.62p	299.47p	290.83p
Lowest share price	275.89p	228.22p	244.66p

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

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COMPARATIVE TABLE

B Income shares

Change in net assets per share	Year to 31.07.2021 pence	Year to 31.07.2020 pence	Year to 31.07.2019 pence
Opening net asset value per share	237.02	243.84	241.63
Return before operating charges*	47.02	(0.64)	10.08
Operating charges	(3.14)	(2.74)	(2.69)
Return after operating charges*	43.88	(3.38)	7.39
Distributions on income shares	(3.12)	(3.44)	(5.18)
Closing net asset value per share	277.78	237.02	243.84

* after direct transaction costs of: 0.41 0.37 0.22

Performance

Return after charges 18.51% -1.39% 3.06%

Other information

Closing net asset value (£) 2,778 2,370 2,438
 Closing number of shares 1,000 1,000 1,000
 Operating charges 1.17%^A 1.18% 1.16%
 Direct transaction costs 0.15% 0.16% 0.10%

Prices

Highest share price 296.51p 254.34p 250.23p
 Lowest share price 231.64p 193.40p 209.81p

B Accumulation shares

Change in net assets per share	Year to 31.07.2021 pence	Year to 31.07.2020 pence	Year to 31.07.2019 pence
Opening net asset value per share	288.28	292.28	285.00
Return before operating charges*	59.48	(0.71)	10.46
Operating charges	(3.44)	(3.29)	(3.18)
Return after operating charges*	56.04	(4.00)	7.28
Distributions on accumulation shares	(4.70)	(4.15)	(5.32)
Retained distributions on accumulation shares	4.70	4.15	5.32
Closing net asset value per share	344.32	288.28	292.28

* after direct transaction costs of: 0.44 0.45 0.26

Performance

Return after charges 19.44% -1.37% 2.55%

Other information

Closing net asset value (£) 34 33,930 34,401
 Closing number of shares 10 11,770 11,770
 Operating charges 1.17%^A 1.18% 1.16%
 Direct transaction costs 0.15% 0.16% 0.10%

Prices

Highest share price 364.30p 304.87p 295.38p
 Lowest share price 281.73p 232.54p 247.50p

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

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COMPARATIVE TABLE

P Income shares

Change in net assets per share	Year to 31.07.2021 pence	Year to 31.07.2020 pence	Year to 31.07.2019 pence
Opening net asset value per share	229.52	236.12	234.54
Return before operating charges*	45.61	(0.60)	8.55
Operating charges	(2.41)	(2.10)	(2.05)
Return after operating charges*	43.20	(2.70)	6.50
Distributions on income shares	(3.70)	(3.90)	(4.92)
Closing net asset value per share	269.02	229.52	236.12

* after direct transaction costs of: 0.39 0.36 0.22

Performance

Return after charges 18.82% -1.14% 2.77%

Other information

Closing net asset value (£)	6,337,504	4,433,113	5,241,092
Closing number of shares	2,355,731	1,931,503	2,219,645
Operating charges	0.92% ^A	0.93%	0.91%
Direct transaction costs	0.15%	0.16%	0.10%

Prices

Highest share price	287.47p	246.59p	241.90p
Lowest share price	224.37p	187.34p	203.79p

P Accumulation shares

Change in net assets per share	Year to 31.07.2021 pence	Year to 31.07.2020 pence	Year to 31.07.2019 pence
Opening net asset value per share	274.19	277.30	269.71
Return before operating charges*	54.51	(0.64)	9.96
Operating charges	(2.88)	(2.47)	(2.37)
Return after operating charges*	51.63	(3.11)	7.59
Distributions on accumulation shares	(4.43)	(4.60)	(5.69)
Retained distributions on accumulation shares	4.43	4.60	5.69
Closing net asset value per share	325.82	274.19	277.30

* after direct transaction costs of: 0.47 0.43 0.25

Performance

Return after charges 18.83% -1.12% 2.81%

Other information

Closing net asset value (£)	10,632,193	8,496,996	9,526,929
Closing number of shares	3,263,233	3,098,977	3,435,559
Operating charges	0.92% ^A	0.93%	0.91%
Direct transaction costs	0.15%	0.16%	0.10%

Prices

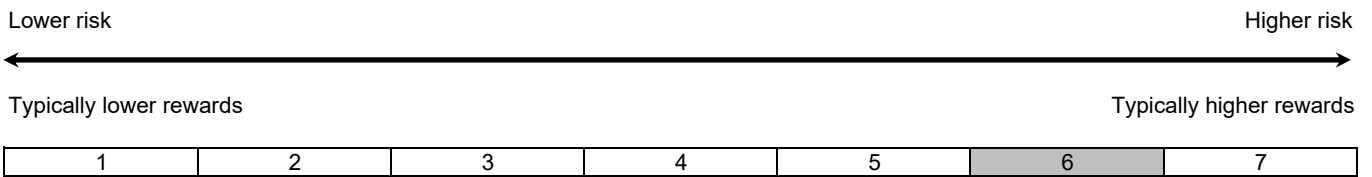
Highest share price	344.69p	289.59p	280.24p
Lowest share price	268.02p	220.98p	234.33p

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

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

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH FAR EAST GROWTH FUND**

SYNTHETIC RISK AND REWARD INDICATOR (all share classes)



The synthetic risk and reward indicator above aims to provide you with an indication of the overall risk and reward profile of the sub-fund. It is calculated based on the volatility of the sub-fund using weekly historic returns over the last five years. If five years data is not available for a sub-fund, the returns of a representative portfolio are used.

The sub-fund has been measured as 6 because it has experienced high volatility historically. During the year the synthetic risk and reward indicator has remained unchanged.

THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH FAR EAST GROWTH FUND

PORTFOLIO STATEMENT

as at 31 July 2021

Holding or nominal value	Bid value £	Percentage of total net assets %
CHINA/HONG KONG (31 July 2020 - 41.92%)		
10,700 51job Inc - ADR	551,238	1.47
35,000 Alibaba Group Holding	609,132	1.63
242,000 A-Living Smart City Services Co Ltd	659,612	1.76
16,000 ANTA Sports Products Ltd	249,436	0.67
107,700 ASM Pacific Technology Ltd	990,747	2.65
6,000 Autohome Inc - ADR	206,285	0.55
1,005,000 China Construction Bank Corp 'H'	500,662	1.34
2,430,000 CIMC Enric Holdings Ltd	1,680,458	4.49
12,500 Contemporary Amperex Technology Co Ltd 'A'	762,121	2.04
81,500 HengAn International Group Co Ltd	346,347	0.92
12,000 Hong Kong Exchanges and Clearing Ltd	547,860	1.46
133,600 HSBC Holdings Plc	529,616	1.41
910,000 Industrial and Commercial Bank of China Ltd 'H'	361,161	0.96
136,000 Longfor Group Holdings Ltd	453,345	1.21
42,028 Midea Group Co Ltd 'A'	295,635	0.79
687,000 Nissin Foods Co Ltd	351,100	0.94
40,566 Offcn Education Technology Co Ltd 'A'	58,553	0.16
5,100,000 Pacific Basin Shipping Ltd	1,624,905	4.34
1,394,000 Postal Savings Bank of China Co Ltd 'H'	641,822	1.71
22,100 Sunny Optical Technology (Group) Co Ltd	478,235	1.28
28,400 Tencent Holdings Ltd	1,252,143	3.34
355,000 Tingyi (Cayman Islands) Holding Corp	457,655	1.22
142,000 Tongcheng-Elong Holdings Ltd	228,827	0.61
1,396,000 Want Want China Holdings Ltd	673,594	1.80
552,000 Xinyi Glass Holdings Ltd	1,474,072	3.94
72,560 Xtrackers Harvest CSI300 UCITS ETF '1D' USD	754,946	2.02
Total China/Hong Kong	<u>16,739,507</u>	<u>44.71</u>
INDIA (31 July 2020 - 11.73%)		
74,634 Escorts Ltd	852,339	2.28
29,000 Godrej Consumer Products Ltd	276,780	0.74
244,652 Gujarat State Petronet Ltd	813,245	2.17
105,520 ICICI Bank Ltd - SPON ADR	1,420,781	3.79
502,000 Manappuram Finance Ltd	1,001,216	2.67
Total India	<u>4,364,361</u>	<u>11.65</u>
INDONESIA (31 July 2020 - 2.78%)		
2,350,000 AKR Corporindo Tbk PT	417,564	1.12
1,215,000 Bank Mandiri (Persero) Tbk PT	342,777	0.92
Total Indonesia	<u>760,341</u>	<u>2.04</u>
MALAYSIA (31 July 2020 - 2.59%)		
697,000 Inari Amertron Bhd	392,521	1.05
Total Malaysia	<u>392,521</u>	<u>1.05</u>
PHILIPPINES (31 July 2020 - 0.93%)		
690,000 Ayala Land Inc	323,008	0.86
Total Philippines	<u>323,008</u>	<u>0.86</u>
SINGAPORE (31 July 2020 - 0.83%)		
412,500 GuocoLand Ltd	347,037	0.93
61,000 Singapore Technologies Engineering Ltd	129,428	0.35
Total Singapore	<u>476,465</u>	<u>1.28</u>

THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH FAR EAST GROWTH FUND

PORTFOLIO STATEMENT

as at 31 July 2021

Holding or nominal value	Bid value £	Percentage of total net assets %
SOUTH KOREA (31 July 2020 - 12.75%)		
5,500 COSMAX Inc	424,507	1.13
12,285 Eugene Technology Co Ltd	347,926	0.93
28,000 KB Financial Group Inc	894,078	2.39
5,400 Korea Shipbuilding & Offshore Engineering Co Ltd	436,955	1.17
6,754 MODETOUR Network Inc	102,787	0.27
5,110 POSCO	1,165,722	3.11
49,984 Samsung Electronics Co Ltd - Pref	2,243,192	5.99
15,961 SK Hynix Inc	1,117,668	2.98
Total South Korea	<u>6,732,835</u>	<u>17.97</u>
TAIWAN (31 July 2020 - 20.08%)		
73,000 Chailease Holding Co Ltd	432,870	1.16
214,441 Elan Microelectronics Corp	991,446	2.65
90,856 HIWIN Technologies Corp	744,711	1.99
408,000 Sercomm Corp	678,248	1.81
518,000 Taiwan Hon Chuan Enterprise Co Ltd	1,033,597	2.76
83,000 Taiwan Semiconductor Manufacturing Co Ltd	1,233,077	3.29
Total Taiwan	<u>5,113,949</u>	<u>13.66</u>
THAILAND (31 July 2020 - 3.15%)		
70,000 Airports of Thailand PCL - NVDR	86,142	0.23
493,000 AMATA Corp Public Co Ltd - NVDR	194,355	0.52
4,905,000 Gunkul Engineering Public Co Ltd - NVDR	495,709	1.32
234,400 Hana Microelectronics Public Co Ltd - NVDR	388,008	1.04
1,458,700 Humanica Public Co Ltd - NVDR	300,239	0.80
Total Thailand	<u>1,464,453</u>	<u>3.91</u>
Portfolio of investments	36,367,440	97.13
Net other assets	1,075,275	2.87
Total net assets	<u>37,442,715</u>	<u>100.00</u>

THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH FAR EAST GROWTH FUND

STATEMENT OF TOTAL RETURN

for the year ended 31 July 2021

	Notes	31 July 2021		31 July 2020	
		£	£	£	£
Income:					
Net capital gains/(losses)	2		6,586,046		(1,606,869)
Revenue	4	992,091		1,188,184	
Expenses	5	<u>(523,208)</u>		<u>(595,347)</u>	
Net revenue before taxation		468,883		592,837	
Taxation	6	<u>(206,503)</u>		<u>(160,186)</u>	
Net revenue after taxation			<u>262,380</u>		<u>432,651</u>
Total return before distributions			6,848,426		(1,174,218)
Distributions	7		(383,426)		(489,694)
Change in net assets attributable to shareholders from investment activities			<u>6,465,000</u>		<u>(1,663,912)</u>

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the year ended 31 July 2021

	31 July 2021		31 July 2020	
	£	£	£	£
Opening net assets attributable to shareholders		38,209,496		47,852,346
Amounts receivable on issue of shares	6,026,821		2,950,341	
Amounts payable on cancellation of shares	(13,523,861)		(11,275,465)	
Amounts payable on share class conversions	<u>(13,585)</u>		<u>(77)</u>	
		(7,510,625)		(8,325,201)
Dilution adjustment		4,488		-
Change in net assets attributable to shareholders from investment activities		6,465,000		(1,663,912)
Retained distribution on accumulation shares		274,354		346,241
Unclaimed distributions		2		22
Closing net assets attributable to shareholders		<u>37,442,715</u>		<u>38,209,496</u>

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH FAR EAST GROWTH FUND**

BALANCE SHEET
as at 31 July 2021

	Notes	31 July 2021 £	31 July 2020 £
Assets:			
Fixed Assets:			
Investments	15	36,367,440	36,973,211
Current Assets:			
Debtors	8	282,226	748,906
Cash and bank balances		1,391,611	1,080,231
Total assets		<u>38,041,277</u>	<u>38,802,348</u>
Liabilities:			
Creditors:			
Distribution payable on income shares		75,384	94,138
Other creditors	9	523,178	498,714
Total liabilities		<u>598,562</u>	<u>592,852</u>
Net assets attributable to shareholders		<u><u>37,442,715</u></u>	<u><u>38,209,496</u></u>

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH FAR EAST GROWTH FUND**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2021

1 ACCOUNTING, DISTRIBUTION AND RISK MANAGEMENT POLICIES

Please refer to the notes applicable to the Company on pages 9 to 11.

2 NET CAPITAL GAINS/(LOSSES)

The net gains/(losses) on investments during the year comprise:

	31 July 2021 £	31 July 2020 £
Non-derivative securities gains/(losses)	6,651,946	(1,574,553)
Currency losses	(59,931)	(25,574)
Transaction charges	(5,969)	(6,742)
Net capital gains/(losses)	<u>6,586,046</u>	<u>(1,606,869)</u>

3 PURCHASES, SALES AND TRANSACTION COSTS

(All purchases and sales are in the equity asset class)

	31 July 2021 £	31 July 2020 £
Purchases excluding transaction costs	12,113,734	13,378,780
Corporate actions	99,953	-
	<u>12,213,687</u>	<u>13,378,780</u>
Commissions	10,581	12,967
Taxes and other charges	7,890	6,823
Total purchase transaction costs	<u>18,471</u>	<u>19,790</u>
Purchases including transaction costs	<u>12,232,158</u>	<u>13,398,570</u>

Purchase transaction costs expressed as a percentage of the principal amount:

Commissions	0.09%	0.10%
Taxes and other charges	0.07%	0.05%

Sales excluding transaction costs	19,475,200	20,697,035
Corporate actions	56,716	20,864
	<u>19,531,916</u>	<u>20,717,899</u>
Commissions	(15,324)	(18,431)
Taxes and other charges	(26,715)	(29,853)
Total sale transaction costs	<u>(42,039)</u>	<u>(48,284)</u>
Sales net of transaction costs	<u>19,489,877</u>	<u>20,669,615</u>

Sale transaction costs expressed as a percentage of the principal amount:

Commissions	0.08%	0.09%
Taxes and other charges	0.14%	0.14%

Total purchases and sales transaction costs expressed as a percentage of the average net asset value over the year:

Commissions	0.06%	0.07%
Taxes and other charges	0.09%	0.09%
	<u>0.15%</u>	<u>0.16%</u>

Transaction handling charges

	<u>£5,969</u>	<u>£6,742</u>
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Average portfolio dealing spread

This spread represents the difference between the values determined respectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

Average portfolio dealing spread at the balance sheet date	<u>0.23%</u>	<u>0.22%</u>
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4 REVENUE

	31 July 2021 £	31 July 2020 £
Overseas dividends	977,719	1,186,878
UK dividends	14,372	-
Bank interest	-	1,306
Total revenue	<u>992,091</u>	<u>1,188,184</u>

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH FAR EAST GROWTH FUND**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2021

5 EXPENSES

	31 July 2021	31 July 2020
	£	£
Payable to the ACD or associate:		
ACD's periodic charge	464,968	531,659
Registration fees	6,430	7,225
	<u>471,398</u>	<u>538,884</u>
Other expenses:		
Depositary's fees	14,368	15,216
Safe Custody fees	27,886	31,398
Interest	110	-
Financial Conduct Authority fee	170	124
Audit fee	7,338	7,703
Tax agent fees	1,938	2,022
	<u>51,810</u>	<u>56,463</u>
Total expenses	<u><u>523,208</u></u>	<u><u>595,347</u></u>

6 TAXATION

	31 July 2021	31 July 2020
	£	£
a Analysis of the tax charge for the year		
Overseas tax	85,457	103,143
Indian capital gains tax	121,046	57,043
Total tax charge (see note 6(b))	<u><u>206,503</u></u>	<u><u>160,186</u></u>

b Factors affecting the tax charge for the year

The taxation assessed for the year is lower than the standard rate of corporation tax in the UK for an open ended investment company (20%). The differences are explained below.

Net revenue before taxation	468,883	592,837
Corporation tax at 20% (2020: 20%)	93,777	118,567
Effects of:		
Revenue not subject to taxation	(198,419)	(237,375)
Unrelieved excess management expenses	104,642	118,808
Overseas tax	85,457	103,143
Indian capital gains tax	121,046	57,043
Total tax charge (see note 6(a))	<u><u>206,503</u></u>	<u><u>160,186</u></u>

At 31 July 2021 the Fund has deferred tax assets of £1,090,082 (2020: £985,440) arising from surplus management expenses, which have not been recognised due to uncertainty over the availability of future taxable profits.

7 DISTRIBUTIONS

	31 July 2021	31 July 2020
	£	£
The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:		
Interim	80,445	93,634
Final	296,648	375,233
Amounts deducted on cancellation of shares	31,924	26,630
Amounts added on issue of shares	(11,995)	(5,722)
Equalisation on conversions	(13,585)	(77)
Revenue brought forward	(11)	(4)
Distributions	<u><u>383,426</u></u>	<u><u>489,694</u></u>
Movement between net revenue and distributions:		
Net revenue after taxation	262,380	432,651
Indian capital gains tax charged to capital	121,046	57,043
	<u><u>383,426</u></u>	<u><u>489,694</u></u>

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH FAR EAST GROWTH FUND**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2021

8 DEBTORS

	31 July 2021	31 July 2020
	£	£
Amounts receivable for issue of shares	3,006	15,133
Sales awaiting settlement	-	483,478
Accrued income	146,527	138,757
Taxation recoverable	132,693	111,538
Total debtors	<u>282,226</u>	<u>748,906</u>

9 OTHER CREDITORS

	31 July 2021	31 July 2020
	£	£
Amounts payable for cancellation of shares	274,191	429,076
Purchases awaiting settlement	78,928	-
Currency deals awaiting settlement	120	-
Manager's periodic charge and registration fees	38,704	42,895
Accrued expenses	26,735	26,743
Capital gains tax provision	104,500	-
Total other creditors	<u>523,178</u>	<u>498,714</u>

10 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities as at 31 July 2021 (2020: nil).

11 RELATED PARTIES

The ACD is involved in all transactions in the shares of the sub-fund, the aggregate values of which are set out in the statement of change in net assets attributable to shareholders on page 20 and note 7. Amounts due to/from the ACD in respect of share transactions at the year end are disclosed in notes 8 and 9. Amounts paid to the ACD or associates in respect of the ACD's periodic charge and other fees are disclosed in note 5. Amounts due to the ACD at the year end are £309,889 (2020: £456,838).

In addition to the above, some shares in the Fund are owned by directors of Marlborough Fund Managers Ltd or directors of UFC Fund Management plc, the ultimate parent company of Marlborough Fund Managers Ltd, as set out below:

	31 July 2021	31 July 2020
Proportion of shares owned by directors of Marlborough Fund Managers Ltd or UFC Fund Management plc	0.52%	0.43%

Distributions were payable on the above holdings at the rates applicable to other shareholders.

12 SHARE CLASSES

The share classes in issue for the sub-fund and the annual management charge for each share class is as follows:

A Income	1.50%
A Accumulation	1.50%
B Income	1.00%
B Accumulation	1.00%
P Income	0.75%
P Accumulation	0.75%

13 SHAREHOLDERS' FUNDS RECONCILIATION

During the year the ACD has issued, cancelled and converted shares from one share class to another as set out below:

	A Income	A Accumulation	B Income
Opening shares in issue at 1 August 2020	1,999,458	7,316,257	1,000
Share issues	55,172	1,516,165	-
Share cancellations	(208,800)	(1,825,439)	-
Share conversions	(1,153,775)	(1,419,255)	-
Closing shares in issue at 31 July 2021	<u>692,055</u>	<u>5,587,728</u>	<u>1,000</u>

	B Accumulation	P Income	P Accumulation
Opening shares in issue at 1 August 2020	11,770	1,931,503	3,098,977
Share issues	-	71,142	307,168
Share cancellations	-	(789,096)	(1,620,199)
Share conversions	(11,760)	1,142,182	1,477,287
Closing shares in issue at 31 July 2021	<u>10</u>	<u>2,355,731</u>	<u>3,263,233</u>

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH FAR EAST GROWTH FUND**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2021

14 RISK DISCLOSURES

Market price risk sensitivity

A five per cent increase in the market prices of the sub-fund's portfolio would have the effect of increasing the return and net assets by £1,818,372 (2020: £1,848,661). A five per cent decrease would have an equal and opposite effect.

Foreign currency risk

At the year end date a portion of the net assets of the sub-fund were denominated in currencies other than Sterling with the effect that the balance sheet and total return can be affected by exchange rate movements.

Foreign currency exposure at 31 July 2021

	Investments £	Net other assets £	Total £
Chinese Yuan	1,116,309	69,255	1,185,564
Hong Kong Dollar	14,110,729	6,518	14,117,247
Indian Rupee	2,943,580	4,265	2,947,845
Indonesian Rupiah	760,341	-	760,341
Malaysian Ringgit	392,521	-	392,521
Phillipine Peso	323,008	371	323,379
Singapore Dollar	476,465	-	476,465
South Korean Won	6,732,835	18,956	6,751,791
Taiwan Dollar	5,113,949	674,961	5,788,910
Thailand Baht	1,464,453	-	1,464,453
United States Dollar	2,933,250	20,228	2,953,478
	<u>36,367,440</u>	<u>794,554</u>	<u>37,161,994</u>

Foreign currency exposure at 31 July 2020

	Investments £	Net other assets £	Total £
Chinese Yuan	-	(2,268)	(2,268)
Hong Kong Dollar	12,281,186	91,146	12,372,332
Indian Rupee	3,602,928	-	3,602,928
Indonesian Rupiah	1,058,806	1,399	1,060,205
Malaysian Ringgit	989,765	-	989,765
Phillipine Peso	355,537	402	355,939
Singapore Dollar	318,271	-	318,271
South Korean Won	4,875,231	18,162	4,893,393
Taiwan Dollar	7,670,754	1,184,009	8,854,763
Thailand Baht	1,202,387	-	1,202,387
United States Dollar	4,490,996	19,613	4,510,609
	<u>36,845,861</u>	<u>1,312,463</u>	<u>38,158,324</u>

Foreign currency risk sensitivity

A five per cent decrease in the value of Sterling relative to the foreign currencies above would have the effect of increasing the return and net assets by £1,858,100 (2020: £1,907,916). A five per cent increase would have an equal and opposite effect.

Interest rate risk

The interest rate risk profile of financial assets and liabilities consists of the following:

	31 July 2021 £	31 July 2020 £
Financial assets floating rate	1,391,611	1,080,231
Financial assets non-interest bearing instruments	36,649,666	37,722,117
Financial liabilities non-interest bearing instruments	(598,562)	(592,852)
	<u>37,442,715</u>	<u>38,209,496</u>

As most of the sub-fund's financial assets are non-interest bearing, an interest rate sensitivity analysis has not been included.

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH FAR EAST GROWTH FUND**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2021

RISK DISCLOSURES

Liquidity risk

The following table provides a maturity analysis of the sub-fund's financial liabilities:

	31 July 2021 £	31 July 2020 £
Within one year:		
Distribution payable on income shares	75,384	94,138
Other creditors	523,178	498,714
	<u>598,562</u>	<u>592,852</u>

15 FAIR VALUE HIERARCHY FOR INVESTMENTS

Basis of valuation	31 July 2021		31 July 2020	
	Assets (£)	Liabilities (£)	Assets (£)	Liabilities (£)
Level 1 - Quoted prices	36,367,440	-	36,973,211	-
Level 2 - Observable market data	-	-	-	-
Level 3 - Unobservable data	-	-	-	-
	<u>36,367,440</u>	<u>-</u>	<u>36,973,211</u>	<u>-</u>

The intention of a fair value measurement is to estimate the price at which an asset or liability could be exchanged in the market conditions prevailing at the measurement date. The measurement assumes the exchange is an orderly transaction (that is, it is not a forced transaction, involuntary liquidation or distress sale) between knowledgeable, willing participants on an independent basis.

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities. The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority to unobservable inputs.

In accordance with FRS102 the Fund classifies fair value measurement under the following levels:

Level 1 - Unadjusted quoted price in an active market for an identical instrument;

Level 2 - Valuation techniques using observable inputs other than quoted prices within level 1; and

Level 3 - Valuation techniques using unobservable inputs.

16 POST BALANCE SHEET EVENTS

Since 31 July 2021, the Net Asset Value per share has changed as follows:

	Net Asset Value per share (pence)		
	30 July 2021 *	19 November 2021	Movement (%)
A Income	270.47	272.50	0.75%
A Accumulation	333.47	338.02	1.36%
P Income	272.03	273.68	0.61%
P Accumulation	326.18	331.40	1.60%

* These Net Asset Values differ from those in the Comparative Table as they are the quoted Net Asset Values.

On 31 August 2021, B Income and B Accumulation share classes were converted to the cheaper P Income and P Accumulation share classes.

**THE MARLBOROUGH NO 2 OEIC
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DISTRIBUTION TABLE

Interim distribution for the period from 1 August 2020 to 31 January 2021

Group 1: shares purchased prior to 1 August 2020

Group 2: shares purchased on or after 1 August 2020

		Net revenue 31 January 2021 pence per share	Equalisation 31 January 2021 pence per share	Distribution paid 31 March 2021 pence per share	Distribution paid 31 March 2020 pence per share
A Income	Group 1	0.0517p	-	0.0517p	0.2135p
	Group 2	-	0.0517p	0.0517p	0.2135p
A Accumulation	Group 1	0.0796p	-	0.0796p	0.2588p
	Group 2	-	0.0796p	0.0796p	0.2588p
B Income	Group 1	0.6840p	-	0.6840p	0.8190p
	Group 2	0.6840p	-	0.6840p	0.8190p
B Accumulation	Group 1	-	-	-	0.9834p
	Group 2	-	-	-	0.9834p
P Income	Group 1	0.9901p	-	0.9901p	1.0890p
	Group 2	-	0.9901p	0.9901p	1.0890p
P Accumulation	Group 1	1.1801p	-	1.1801p	1.2766p
	Group 2	0.2839p	0.8962p	1.1801p	1.2766p

Final distribution for the period from 1 February 2021 to 31 July 2021

Group 1: shares purchased prior to 1 February 2021

Group 2: shares purchased on or after 1 February 2021

		Net revenue 31 July 2021 pence per share	Equalisation 31 July 2021 pence per share	Distribution paid 30 September 2021 pence per share	Distribution paid 30 September 2020 pence per share
A Income	Group 1	1.6752p	-	1.6752p	1.9919p
	Group 2	1.5054p	0.1698p	1.6752p	1.9919p
A Accumulation	Group 1	2.0645p	-	2.0645p	2.4282p
	Group 2	1.2043p	0.8602p	2.0645p	2.4282p
B Income	Group 1	2.4330p	-	2.4330p	2.6200p
	Group 2	2.4330p	-	2.4330p	2.6200p
B Accumulation	Group 1	4.7000p	-	4.7000p	3.1640p
	Group 2	4.7000p	-	4.7000p	3.1640p
P Income	Group 1	2.7068p	-	2.7068p	2.8104p
	Group 2	2.0662p	0.6406p	2.7068p	2.8104p
P Accumulation	Group 1	3.2453p	-	3.2453p	3.3256p
	Group 2	2.3483p	0.8970p	3.2453p	3.3256p

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH MULTI CAP INCOME FUND**

AUTHORISED INVESTMENT ADVISER'S REPORT

for the year ended 31 July 2021

Percentage change and sector position to 31 July 2021

	<u>Six months</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>	<u>* 01.07.2011</u>
Marlborough Multi Cap Income Fund	17.35%	30.60%	9.34%	37.88%	152.24%
IA UK Equity Income	13.96%	30.46%	5.84%	27.56%	94.64%
Quartile Ranking**	1	2	2	1	1

* Launch period ended 30 June 2011.

** Based on ranking within The Investment Association's UK Equity Income sector.

External Source of Economic Data: Morningstar (P Acc - quoted to quoted). P shares first priced on 2 January 2013. In the period to that date, past performance information for A shares has been used.

The price of the Fund at the start of August 2020 was 184.1p (based on the P share class, Accumulation units). The Fund's benchmark, the FTSE All Share Index, was 3282.02 at that time. Since then, the benchmark has risen to 4030.24 (30 July 2021); an increase of 22.7%. In comparison, the Fund price increased to 240.84p, up 30.6% over the same period. The FTSE All Share TR Index was 7894.09, up 24.1% from one year ago, when it was 6361.69.

Since inception to end of July 2021, the Fund is up 152.24%* (based on the P share class, Accumulation units) compared with the FTSE All Share Index up 30.1% over the same period (from 3096.72 to 4030.24). The FTSE All Share Index TR is up 86.5% from 4233.69 to 7894.09 over the same period. Since launch (to end August 2021), the fund is ranked no.2 in its UK Equity income peer group (Source: Morningstar, Marlborough Multi Cap Income Fund Presentation, August 2021, slide 24), up 162.18% compared with an average return for the sector of 99.98% over the same period.

The fund was marked ex-div on 1st August. The dividend per unit for the P share class, Income units, is 3.5217p, with payment at the end of September 2021. There are slight variations in income distribution across the range of share classes, but we focus on the 'P' Income share class, the most commonly held by investors. Please see the distribution information overleaf.

The fund value (based on bid values including creations) at the start of August was £1.076bn. As of the end of July 2021, the fund value was £1.160bn. The fund experienced net outflows to total c.£182m but has moderated somewhat since.

We mentioned the ABC of risks last year and since then the US election has seen President Biden enter and propose big infrastructure spend to stimulate the US economy. The Brexit topic has come and gone with the success of not just one but quite a few different Covid vaccines. We now look forward to see how global supply chain shortages will create winners and losers. It is our view that there will be opportunities to benefit from inflation beneficiaries (e.g. banks, utilities, gold, commodities, property sectors) and those companies with pricing power and brand strength or market leadership can come out on top.

Small mid cap companies tend to be branded as 'domestic only', yet we have plenty of companies in our portfolio with global revenues –Bioventix, Bloomsbury, Bodycote, Churchill China, Diversified Gas & Oil, Hilton Food Group, Midwich, Somero and Strix amongst others. Where we do have domestic revenues, some of our biggest winners have come from retailers such as Big Yellow, Dunelm, Games Workshop, Liontrust and Pets at Home. On occasion we are pleasantly surprised to find that our smaller UK asset managers such as Polar Capital, listed on AIM, actually have over half their AuM invested in large global businesses and themes to cover healthcare and technology in particular.

As part of our 20% non-UK allowance, we also have some positions in foreign companies, to include Cibus, Abbvie, Total and NN Group amongst others.

Over the last year, the bulk of the portfolio restarted dividend payments. Some paid 'catch-up' dividends while others have even resumed special dividends. As such the topic of a dividend cut has become less relevant to be replaced instead with the idea of ordinary dividend growth following an earnings recovery.

The UK Investment Association (IA) suspended the yield test requirement for equity income funds during the pandemic. Our fund still delivered a yield in excess of the FTSE All Share Index and 23% dividend growth in the most recent half yearly payment period (ending July 2021, paid September 2021). It also keeps intact our 10 year record of beating the index yield in every single year. This is in addition to significantly outperforming on total returns versus both the FTSE All Share TR Index and the UK Equity Income peer group (as detailed above).

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The fund remains well positioned for meeting its IA yield test objectives as and when they resume and is currently offering a prospective yield of 4.0% compare with the FTSE All share Index Yield at 3.11% (*Financial Times*, 1st November 2021).

Siddarth Chand Lall
Hargreave Hale Limited
11 November 2021

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Distributions (pence per share)

	<u>Year 2021</u>	<u>Year 2020</u>	<u>Year 2019</u>	<u>Year 2018</u>
<u>A Income</u>				
Income paid 31 March	2.5064	3.4230	3.2610	3.1684
Income paid 30 September	3.3103	2.7146	4.2001	3.9837
<u>A Accumulation</u>				
Accumulation paid 31 March	3.7962	4.9620	4.4914	4.1782
Accumulation paid 30 September	5.1091	4.0207	5.9203	5.3558
<u>B Income</u>				
Income paid 31 March	2.6186	3.5540	3.3682	3.2572
Income paid 30 September	3.4667	2.8264	4.3506	4.1061
<u>B Accumulation</u>				
Accumulation paid 31 March	3.7783	4.9144	4.4302	4.0974
Accumulation paid 30 September	5.1002	3.9935	5.8510	5.2665
<u>P Income</u>				
Income paid 31 March	2.6551	3.5987	3.4102	3.2819
Income paid 30 September	3.5217	2.8662	4.4006	4.1429
<u>P Accumulation</u>				
Accumulation paid 31 March	3.8310	4.9702	4.4763	4.1239
Accumulation paid 30 September	5.1776	4.0447	5.9099	5.3071

THE MARLBOROUGH NO 2 OEIC
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for the year ended 31 July 2021

Portfolio changes

Largest purchases	Cost (£)
IG Group Holdings	13,418,237
Paragon Banking Group	11,477,913
Vistry Group	10,141,487
Persimmon	8,519,435
B&M European Value Retail	8,180,663
Admiral Group	7,773,008
Watkin Jones	7,720,684
Anglo American	7,394,961
Rio Tinto	6,698,035
Morgan Sindall Group	6,630,049
Other purchases	264,611,217
Total purchases for the year	352,565,689
Largest sales	Proceeds (£)
Pennon Group	36,993,118
GlaxoSmithKline	18,510,939
Intermediate Capital Group	17,930,091
Mondi	16,486,833
Polar Capital Holdings	16,148,440
The Berkeley Group Holdings	16,096,037
Tate & Lyle	14,579,993
Phoenix Group Holdings	12,526,424
PPHE Hotel Group	11,664,892
Standard Life Aberdeen	11,352,444
Other sales	361,670,940
Total sales for the year	533,960,151

**THE MARLBOROUGH NO 2 OEIC
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COMPARATIVE TABLE

A Income shares

Change in net assets per share	Year to 31.07.2021 pence	Year to 31.07.2020 pence	Year to 31.07.2019 pence
Opening net asset value per share	120.05	147.88	160.16
Return before operating charges*	37.61	(19.55)	(2.53)
Operating charges	(2.20)	(2.14)	(2.29)
Return after operating charges*	35.41	(21.69)	(4.82)
Distributions on income shares	(5.82)	(6.14)	(7.46)
Closing net asset value per share	149.64	120.05	147.88

* after direct transaction costs of: 0.31 0.47 0.39

Performance

Return after charges 29.50% -14.67% -3.01%

Other information

Closing net asset value (£)	49,376,994	52,893,731	76,332,292
Closing number of shares	32,998,094	44,058,946	51,619,184
Operating charges	1.62% ^A	1.53%	1.53%
Direct transaction costs	0.23%	0.33%	0.26%

Prices

Highest share price	153.74p	164.94p	159.22p
Lowest share price	119.08p	95.34p	136.31p

A Accumulation shares

Change in net assets per share	Year to 31.07.2021 pence	Year to 31.07.2020 pence	Year to 31.07.2019 pence
Opening net asset value per share	181.85	214.36	220.72
Return before operating charges*	57.56	(29.38)	(3.16)
Operating charges	(3.36)	(3.13)	(3.20)
Return after operating charges*	54.20	(32.51)	(6.36)
Distributions on accumulation shares	(8.91)	(8.98)	(10.41)
Retained distributions on accumulation shares	8.91	8.98	10.41
Closing net asset value per share	236.05	181.85	214.36

* after direct transaction costs of: 0.48 0.68 0.55

Performance

Return after charges 29.80% -15.17% -2.88%

Other information

Closing net asset value (£)	69,165,210	68,046,502	90,657,641
Closing number of shares	29,300,796	37,419,657	42,292,461
Operating charges	1.62% ^A	1.53%	1.53%
Direct transaction costs	0.23%	0.33%	0.26%

Prices

Highest share price	237.29p	240.84p	219.81p
Lowest share price	180.36p	141.21p	187.88p

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

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH MULTI CAP INCOME FUND**

COMPARATIVE TABLE

B Income shares

Change in net assets per share	Year to 31.07.2021 pence	Year to 31.07.2020 pence	Year to 31.07.2019 pence
Opening net asset value per share	125.14	153.36	165.26
Return before operating charges*	39.39	(20.34)	(2.58)
Operating charges	(1.46)	(1.50)	(1.60)
Return after operating charges*	37.93	(21.84)	(4.18)
Distributions on income shares	(6.09)	(6.38)	(7.72)
Closing net asset value per share	156.98	125.14	153.36

* after direct transaction costs of: 0.30 0.49 0.41

Performance

Return after charges 30.31% -14.24% -2.53%

Other information

Closing net asset value (£)	65,860	821,871	1,334,822
Closing number of shares	41,956	656,770	870,401
Operating charges	1.12% ^A	1.03%	1.03%
Direct transaction costs	0.23%	0.33%	0.26%

Prices

Highest share price	161.27p	171.46p	164.29p
Lowest share price	124.28p	99.19p	140.94p

B Accumulation shares

Change in net assets per share	Year to 31.07.2021 pence	Year to 31.07.2020 pence	Year to 31.07.2019 pence
Opening net asset value per share	180.80	212.06	217.27
Return before operating charges*	57.35	(29.16)	(3.08)
Operating charges	(2.23)	(2.10)	(2.13)
Return after operating charges*	55.12	(31.26)	(5.21)
Distributions on accumulation shares	(8.88)	(8.91)	(10.28)
Retained distributions on accumulation shares	8.88	8.91	10.28
Closing net asset value per share	235.92	180.80	212.06

* after direct transaction costs of: 0.46 0.68 0.54

Performance

Return after charges 30.49% -14.74% -2.40%

Other information

Closing net asset value (£)	262,307	901,047	1,285,980
Closing number of shares	111,184	498,367	606,417
Operating charges	1.12% ^A	1.03%	1.03%
Direct transaction costs	0.23%	0.33%	0.26%

Prices

Highest share price	237.14p	238.93p	217.18p
Lowest share price	179.54p	140.14p	185.32p

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

**THE MARLBOROUGH NO 2 OEIC
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COMPARATIVE TABLE

P Income shares

Change in net assets per share	Year to 31.07.2021 pence	Year to 31.07.2020 pence	Year to 31.07.2019 pence
Opening net asset value per share	126.97	155.20	166.83
Return before operating charges*	39.91	(20.62)	(2.60)
Operating charges	(1.25)	(1.15)	(1.22)
Return after operating charges*	38.66	(21.77)	(3.82)
Distributions on income shares	(6.18)	(6.46)	(7.81)
Closing net asset value per share	159.45	126.97	155.20

* after direct transaction costs of: 0.33 0.49 0.41

Performance

Return after charges 30.45% -14.03% -2.29%

Other information

Closing net asset value (£)	656,711,990	626,674,244	865,161,140
Closing number of shares	411,857,122	493,579,930	557,435,211
Operating charges	0.87% ^A	0.78%	0.78%
Direct transaction costs	0.23%	0.33%	0.26%

Prices

Highest share price	163.81p	173.74p	165.85p
Lowest share price	126.15p	100.54p	142.43p

P Accumulation shares

Change in net assets per share	Year to 31.07.2021 pence	Year to 31.07.2020 pence	Year to 31.07.2019 pence
Opening net asset value per share	183.21	214.35	219.06
Return before operating charges*	58.22	(29.54)	(3.09)
Operating charges	(1.83)	(1.60)	(1.62)
Return after operating charges*	56.39	(31.14)	(4.71)
Distributions on accumulation shares	(9.01)	(9.01)	(10.39)
Retained distributions on accumulation shares	9.01	9.01	10.39
Closing net asset value per share	239.60	183.21	214.35

* after direct transaction costs of: 0.48 0.69 0.55

Performance

Return after charges 30.78% -14.53% -2.15%

Other information

Closing net asset value (£)	384,261,602	326,872,439	468,424,296
Closing number of shares	160,374,249	178,418,175	218,532,505
Operating charges	0.87% ^A	0.78%	0.78%
Direct transaction costs	0.23%	0.33%	0.26%

Prices

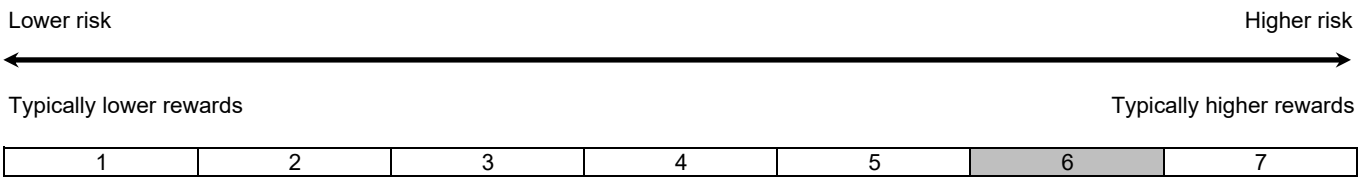
Highest share price	240.84p	241.84p	219.38p
Lowest share price	182.00p	141.88p	187.05p

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

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

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH MULTI CAP INCOME FUND**

SYNTHETIC RISK AND REWARD INDICATOR (all share classes)



The synthetic risk and reward indicator above aims to provide you with an indication of the overall risk and reward profile of the sub-fund. It is calculated based on the volatility of the sub-fund using weekly historic returns over the last five years. If five years data is not available for a sub-fund, the returns of a representative portfolio are used.

The sub-fund has been measured as 6 because it has experienced high volatility historically. During the year the synthetic risk and reward indicator has remained unchanged.

THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH MULTI CAP INCOME FUND

PORTFOLIO STATEMENT

as at 31 July 2021

Holding or nominal value	Bid value £	Percentage of total net assets %
AEROSPACE AND DEFENCE (31 July 2020 - 0.22%)		
275,000 Ultra Electronics Holdings	8,767,000	0.76
Total Aerospace and Defence	<u>8,767,000</u>	<u>0.76</u>
AUTOMOBILES AND PARTS (31 July 2020 - Nil)		
500,000 TI Fluid Systems	1,517,500	0.13
Total Automobiles and Parts	<u>1,517,500</u>	<u>0.13</u>
BANKS (31 July 2020 - Nil)		
256,000 Secure Trust Bank	3,238,400	0.28
Total Banks	<u>3,238,400</u>	<u>0.28</u>
BEVERAGES (31 July 2020 - 0.34%)		
450,000 Britvic	4,342,500	0.37
391,500 Shepherd Neame	3,836,700	0.33
2,650,000 Stock Spirits Group	6,731,000	0.58
Total Beverages	<u>14,910,200</u>	<u>1.28</u>
CHEMICALS (31 July 2020 - Nil)		
55,000 Johnson Matthey	1,618,100	0.14
1,150,000 Synthomer	6,037,500	0.52
Total Chemicals	<u>7,655,600</u>	<u>0.66</u>
CLOSED END INVESTMENTS (31 July 2020 - 2.24%)		
1,100,000 3i Infrastructure	3,371,500	0.29
4,857,085 Gore Street Energy Storage Fund	5,342,794	0.46
357,346 Honeycomb Investment Trust	3,394,787	0.29
Total Closed End Investments	<u>12,109,081</u>	<u>1.04</u>
CONSTRUCTION AND MATERIALS (31 July 2020 - 3.56%)		
1,000,000 Balfour Beatty	3,046,000	0.26
807,800 Keller Group	7,044,016	0.61
2,000,000 Marshalls	14,310,000	1.23
395,000 Morgan Sindall Group	9,243,000	0.80
2,800,000 Ricardo	10,528,000	0.91
2,350,000 Severfield	1,842,400	0.16
Total Construction and Materials	<u>46,013,416</u>	<u>3.97</u>
CONSUMER SERVICES (31 July 2020 - 1.32%)		
5,116,500 RM	11,972,610	1.03
Total Consumer Services	<u>11,972,610</u>	<u>1.03</u>
ELECTRICITY (31 July 2020 - 0.20%)		
1,200,000 Drax Group	4,848,000	0.42
Total Electricity	<u>4,848,000</u>	<u>0.42</u>
ELECTRONIC AND ELECTRICAL EQUIPMENT (31 July 2020 - 2.34%)		
221,000 IMI	3,843,190	0.33
100,000 Spectris	3,554,000	0.31
11,350,000 Strix Group	37,398,250	3.22
Total Electronic and Electrical Equipment	<u>44,795,440</u>	<u>3.86</u>
FINANCE AND CREDIT SERVICES (31 July 2020 - 0.79%)		
2,400,000 Paragon Banking Group	13,140,000	1.13
Total Finance and Credit Services	<u>13,140,000</u>	<u>1.13</u>
FOOD PRODUCERS (31 July 2020 - 3.89%)		
882,390 Carr's Group	1,376,528	0.12
260,763 Hilton Food Group	2,977,913	0.26
3,000,000 Tate & Lyle	22,110,000	1.91
Total Food Producers	<u>26,464,441</u>	<u>2.29</u>

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Holding or nominal value	Bid value £	Percentage of total net assets %
GAS, WATER AND MULTI-UTILITIES (31 July 2020 - 6.04%)		
1,000,000 Severn Trent	27,910,000	2.41
Total Gas, Water and Multi-utilities	<u>27,910,000</u>	<u>2.41</u>
GENERAL INDUSTRIALS (31 July 2020 - 1.05%)		
1,025,000 Hargreaves Services	5,125,000	0.44
11,220,000 Macfarlane Group	12,622,500	1.09
500,000 Mondi	10,010,000	0.86
Total General Industrials	<u>27,757,500</u>	<u>2.39</u>
HEALTH CARE PROVIDERS (31 July 2020 - 0.43%)		
900,000 CareTech Holdings	5,670,000	0.49
Total Health Care Providers	<u>5,670,000</u>	<u>0.49</u>
HOUSEHOLD GOODS AND HOME CONSTRUCTION (31 July 2020 - 3.35%)		
589,060 Churchill China	9,896,208	0.85
4,000,000 Taylor Wimpey	6,616,000	0.57
2,550,000 Vistry Group	30,421,500	2.62
3,500,000 Watkin Jones	8,085,000	0.70
Total Household Goods and Home Construction	<u>55,018,708</u>	<u>4.74</u>
INDUSTRIAL ENGINEERING (31 July 2020 - Nil)		
465,005 Somero Enterprises	2,092,523	0.18
Total Industrial Engineering	<u>2,092,523</u>	<u>0.18</u>
INDUSTRIAL MATERIALS (31 July 2020 - 1.81%)		
INDUSTRIAL METALS AND MINING (31 July 2020 - 1.43%)		
240,000 Anglo American	7,694,400	0.66
14,000,000 Anglo Pacific Group	18,928,000	1.63
750,000 Bodycote	6,630,000	0.57
100,000 Hill & Smith Holdings	1,608,000	0.14
1,026,350 Kenmare Resources	4,290,143	0.37
110,000 Rio Tinto	6,717,700	0.58
Total Industrial Metals and Mining	<u>45,868,243</u>	<u>3.95</u>
INDUSTRIAL SUPPORT SERVICES (31 July 2020 - 3.08%)		
725,000 FDM Group (Holdings)	8,453,500	0.73
550,000 Inchcape	4,708,000	0.41
1,776,700 Midwich Group	9,629,714	0.83
Total Industrial Support Services	<u>22,791,214</u>	<u>1.97</u>
INDUSTRIAL TRANSPORTATION (31 July 2020 - Nil)		
600,000 Royal Mail	3,014,400	0.26
975,000 Wincanton	3,987,750	0.34
Total Industrial Transportation	<u>7,002,150</u>	<u>0.60</u>
INVESTMENT BANKING AND BROKERAGE SERVICES (31 July 2020 - 14.01%)		
2,400,000 3i Group	30,552,000	2.63
1,650,000 Ashmore Group	6,243,600	0.54
400,000 Brewin Dolphin Holdings	1,454,000	0.13
5,500,000 Cenkos Securities	4,235,000	0.36
500,000 CMC Markets	2,262,500	0.20
4,675,000 Finncap Group	1,729,750	0.15
2,751,628 IG Group Holdings	24,517,006	2.11
1,550,000 Intermediate Capital Group	33,790,000	2.91
150,000 JTC	967,500	0.08
465,000 Liontrust Asset Management	9,555,750	0.82
2,000,000 M&G	4,518,000	0.39
2,750,000 Man Group	5,425,750	0.47
982,708 Ninety One	2,242,540	0.19

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as at 31 July 2021

Holding or nominal value	Bid value £	Percentage of total net assets %
INVESTMENT BANKING AND BROKERAGE SERVICES (continued)		
890,000 Numis	3,141,700	0.27
5,257,980 Polar Capital Holdings	46,059,905	3.97
7,065,000 Premier Miton Group	12,010,500	1.04
350,000 Rathbone Brothers	6,573,000	0.57
1,000,000 Record	882,000	0.08
350,000 SANNE Group	2,954,000	0.25
Total Investment Banking and Brokerage Services	<u>199,114,501</u>	<u>17.16</u>
LEISURE GOODS (31 July 2020 - 1.15%)		
115,000 Games Workshop Group	13,133,000	1.13
Total Leisure Goods	<u>13,133,000</u>	<u>1.13</u>
LIFE INSURANCE (31 July 2020 - 7.47%)		
8,550,000 Chesnara	23,341,500	2.01
7,500,000 Legal & General Group	19,792,500	1.71
3,800,000 Phoenix Group Holdings	25,672,800	2.21
Total Life Insurance	<u>68,806,800</u>	<u>5.93</u>
MEDIA (31 July 2020 - 1.84%)		
6,800,000 Bloomsbury Publishing	24,072,000	2.08
1,821,100 STV Group	6,428,483	0.55
Total Media	<u>30,500,483</u>	<u>2.63</u>
MEDICAL EQUIPMENT AND SERVICES (31 July 2020 - Nil)		
900,000 ConvaTec Group	2,137,500	0.18
Total Medical Equipment and Services	<u>2,137,500</u>	<u>0.18</u>
NON-LIFE INSURANCE (31 July 2020 - 2.98%)		
725,000 Admiral Group	24,548,500	2.12
1,800,000 Direct Line Insurance Group	5,326,200	0.46
5,800,000 Sabre Insurance Group	13,369,000	1.15
Total Non-life Insurance	<u>43,243,700</u>	<u>3.73</u>
OIL, GAS AND COAL (31 July 2020 - 1.66%)		
1,500,000 BP	4,356,750	0.38
19,460,812 Diversified Gas & Oil	20,550,617	1.77
13,000,000 i3 Energy	1,384,500	0.12
1,500,000 Serica Energy	2,373,000	0.20
3,500,000 Wentworth Resources	770,000	0.07
Total Oil, Gas and Coal	<u>29,434,867</u>	<u>2.54</u>
PERSONAL CARE, DRUG AND GROCERY STORES (31 July 2020 - 0.81%)		
2,983,333 Kitwave Group	4,653,999	0.40
Total Personal Care, Drug and Grocery Stores	<u>4,653,999</u>	<u>0.40</u>
PHARMACEUTICALS AND BIOTECHNOLOGY (31 July 2020 - 3.53%)		
592,500 Anpario	4,029,000	0.35
222,794 Bioventix	8,688,966	0.75
Total Pharmaceuticals and Biotechnology	<u>12,717,966</u>	<u>1.10</u>
PRECIOUS METALS AND MINING (31 July 2020 - 2.15%)		
525,000 Polymetal International	8,229,375	0.71
2,250,000 Sylvania Platinum	2,385,000	0.21
Total Precious Metals and Mining	<u>10,614,375</u>	<u>0.92</u>
REAL ESTATE INVESTMENT AND SERVICES (31 July 2020 - 0.80%)		
1,922,931 Belvoir Group	5,384,207	0.46
670,000 Boot (Henry)	1,802,300	0.16
25,000 LSL Property Services	104,250	0.01

THE MARLBOROUGH NO 2 OEIC
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PORTFOLIO STATEMENT

as at 31 July 2021

Holding or nominal value	Bid value £	Percentage of total net assets %
REAL ESTATE INVESTMENT AND SERVICES (continued)		
1,167,500 M Winkworth	2,218,250	0.19
325,000 Savills	3,714,750	0.32
Total Real Estate Investment and Services	<u>13,223,757</u>	<u>1.14</u>
REAL ESTATE INVESTMENT TRUSTS (31 July 2020 - 12.32%)		
3,027,519 Big Yellow Group	43,838,475	3.78
10,000,000 LondonMetric Property	24,900,000	2.15
3,400,000 Safestore Holdings	35,836,000	3.09
12,625,000 Supermarket Income REIT	15,150,000	1.31
Total Real Estate Investment Trusts	<u>119,724,475</u>	<u>10.33</u>
RETAILERS (31 July 2020 - 2.92%)		
1,600,000 B&M European Value Retail	8,844,800	0.76
920,000 Dunelm Group	12,272,800	1.06
600,000 Howden Joinery Group	5,398,800	0.47
10,000 Next	783,400	0.07
3,250,000 Pets at Home Group	15,275,000	1.32
200,000 Travis Perkins	3,415,000	0.29
1,000,000 Wickes Group	2,502,000	0.22
Total Retailers	<u>48,491,800</u>	<u>4.19</u>
SOFTWARE AND COMPUTER SERVICES (31 July 2020 - 1.60%)		
175,000 Computacenter	4,742,500	0.41
500,000 EMIS Group	6,370,000	0.55
275,000 Softcat	5,285,500	0.46
Total Software and Computer Services	<u>16,398,000</u>	<u>1.42</u>
TECHNOLOGY HARDWARE AND EQUIPMENT (31 July 2020 - Nil)		
2,300,000 TT Electronics	6,164,000	0.53
Total Technology Hardware and Equipment	<u>6,164,000</u>	<u>0.53</u>
TELECOMMUNICATIONS EQUIPMENT (31 July 2020 - 0.21%)		
1,000,000 Spirent Communications	2,520,000	0.22
Total Telecommunications Equipment	<u>2,520,000</u>	<u>0.22</u>
TELECOMMUNICATIONS SERVICE PROVIDERS (31 July 2020 - 4.78%)		
2,300,000 Telecom Plus	23,690,000	2.04
11,500,000 Zegona Communications	16,560,000	1.43
Total Telecommunications Service Providers	<u>40,250,000</u>	<u>3.47</u>
TRAVEL AND LEISURE (31 July 2020 - 3.91%)		
1,700,000 888 Holdings	6,317,200	0.54
875,235 Go-Ahead Group	8,726,093	0.75
5,365,000 National Express Group	14,399,660	1.24
430,000 PPHE Hotel Group	6,398,400	0.55
Total Travel and Leisure	<u>35,841,353</u>	<u>3.08</u>
OVERSEAS SECURITIES (31 July 2020 - 4.90%)		
70,000 AbbVie	5,954,259	0.51
200,000 Cibus Nordic Real Estate	3,884,566	0.33
400,000 Lundin Petroleum	8,979,298	0.77
425,000 NN Group	15,162,925	1.31
975,000 Princess Private Equity Holding	10,216,382	0.88
300,000 TotalEnergies	9,388,338	0.81
2,400,000 Tufton Oceanic Assets Limited	2,044,381	0.18
Total Overseas Securities	<u>55,630,149</u>	<u>4.79</u>
Portfolio of investments	1,142,142,751	98.47
Net other assets	<u>17,701,212</u>	<u>1.53</u>
Total net assets	<u>1,159,843,963</u>	<u>100.00</u>

THE MARLBOROUGH NO 2 OEIC
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STATEMENT OF TOTAL RETURN

for the year ended 31 July 2021

		31 July 2021		31 July 2020	
		£	£	£	£
Income:					
	Net capital gains/(losses)	2	256,603,879		(254,475,814)
	Revenue	4	49,182,275	62,139,676	
	Expenses	5	<u>(9,530,031)</u>	<u>(11,788,274)</u>	
	Net revenue before taxation		39,652,244	50,351,402	
	Taxation	6	<u>(645,153)</u>	<u>(484,882)</u>	
	Net revenue after taxation		<u>39,007,091</u>	<u>49,866,520</u>	
	Total return before distributions		295,610,970	(204,609,294)	
	Distributions	7	(47,389,346)	(60,189,978)	
	Change in net assets attributable to shareholders from investment activities		<u>248,221,624</u>	<u>(264,799,272)</u>	

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the year ended 31 July 2021

		31 July 2021		31 July 2020	
		£	£	£	£
	Opening net assets attributable to shareholders		1,076,209,834		1,503,196,171
	Amounts receivable on issue of shares		13,422,250		83,685,804
	Amounts payable on cancellation of shares		(195,373,843)		(267,402,155)
	Amounts payable on share class conversions		<u>98</u>		<u>35</u>
			(181,951,495)		(183,716,316)
	Dilution adjustment		22,225		-
	Change in net assets attributable to shareholders from investment activities		248,221,624		(264,799,272)
	Retained distribution on accumulation shares		17,341,775		21,529,251
	Closing net assets attributable to shareholders		<u>1,159,843,963</u>		<u>1,076,209,834</u>

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH MULTI CAP INCOME FUND**

BALANCE SHEET
as at 31 July 2021

	Notes	31 July 2021 £	31 July 2020 £
Assets:			
Fixed Assets:			
Investments	15	1,142,142,751	1,066,853,464
Current Assets:			
Debtors	8	6,421,040	6,491,503
Cash and bank balances		31,510,332	24,470,534
Total assets		<u>1,180,074,123</u>	<u>1,097,815,501</u>
Liabilities:			
Creditors:			
Distribution payable on income shares		15,598,229	15,361,673
Other creditors	9	4,631,931	6,243,994
Total liabilities		<u>20,230,160</u>	<u>21,605,667</u>
Net assets attributable to shareholders		<u><u>1,159,843,963</u></u>	<u><u>1,076,209,834</u></u>

**THE MARLBOROUGH NO 2 OEIC
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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2021

1 ACCOUNTING, DISTRIBUTION AND RISK MANAGEMENT POLICIES

Please refer to the notes applicable to the Company on pages 9 to 11.

2 NET CAPITAL GAINS/(LOSSES)

The net gains/(losses) on investments during the year comprise:

	31 July 2021 £	31 July 2020 £
Non-derivative securities gains/(losses)	256,683,749	(254,454,646)
Currency losses	(61,796)	3,764
Transaction charges	(18,074)	(24,932)
Net capital gains/(losses)	<u>256,603,879</u>	<u>(254,475,814)</u>

3 PURCHASES, SALES AND TRANSACTION COSTS

(All purchases and sales are in the equity asset class)

	31 July 2021 £	31 July 2020 £
Purchases excluding transaction costs		
Equities	334,444,696	670,503,891
Corporate actions	16,268,457	27,332,373
	<u>350,713,153</u>	<u>697,836,264</u>
Equities: Commissions	450,364	854,621
Taxes and other charges	1,402,172	2,702,112
Total purchase transaction costs	<u>1,852,536</u>	<u>3,556,733</u>
Purchases including transaction costs	<u>352,565,689</u>	<u>701,392,997</u>

Purchase transaction costs expressed as a percentage of the principal amount:

Equities: Commissions	0.13%	0.13%
Taxes and other charges	0.42%	0.40%

Sales excluding transaction costs	534,036,124	823,404,415
Corporate actions	636,625	39,624,177
	<u>534,672,749</u>	<u>863,028,592</u>
Equities: Commissions	(711,631)	(1,029,139)
Taxes and other charges	(967)	(1,178)
Total sale transaction costs	<u>(712,598)</u>	<u>(1,030,317)</u>
Sales net of transaction costs	<u>533,960,151</u>	<u>861,998,275</u>

Sale transaction costs expressed as a percentage of the principal amount:

Commissions	0.13%	0.12%
Taxes and other charges	0.00%	0.00%

Total purchases and sales transaction costs expressed as a percentage of the average net asset value over the year:

Commissions	0.10%	0.14%
Taxes and other charges	0.13%	0.20%
	<u>0.23%</u>	<u>0.33%</u>

Transaction handling charges

	<u>£18,074</u>	<u>£24,932</u>
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Average portfolio dealing spread

This spread represents the difference between the values determined respectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

Average portfolio dealing spread at the balance sheet date

	<u>0.72%</u>	<u>1.00%</u>
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4 REVENUE

	31 July 2021 £	31 July 2020 £
UK dividends	34,582,105	47,414,899
UK dividends (unfranked)	4,634,706	5,813,249
Overseas dividends	9,965,464	8,839,196
Interest on debt securities	-	15,417
Bank interest	-	56,915
Total revenue	<u>49,182,275</u>	<u>62,139,676</u>

**THE MARLBOROUGH NO 2 OEIC
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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2021

5 EXPENSES

	31 July 2021	31 July 2020
	£	£
Payable to the ACD or associate:		
ACD's periodic charge	9,218,521	11,428,650
Registration fees	8,531	8,908
	<u>9,227,052</u>	<u>11,437,558</u>
Other expenses:		
Depository's fees	225,815	249,807
Safe Custody fees	68,399	93,083
Interest	1,235	-
Financial Conduct Authority fee	170	125
Audit fee	7,360	7,701
	<u>302,979</u>	<u>350,716</u>
Total expenses	<u><u>9,530,031</u></u>	<u><u>11,788,274</u></u>

6 TAXATION

	31 July 2021	31 July 2020
	£	£
a Analysis of the tax charge for the year		
Overseas tax	645,153	484,882
Total tax charge (see note 6(b))	<u><u>645,153</u></u>	<u><u>484,882</u></u>

b Factors affecting the tax charge for the year

The taxation assessed for the year is lower than the standard rate of corporation tax in the UK for an open ended investment company (20%). The differences are explained below.

Net revenue before taxation	39,652,244	50,351,402
Corporation tax at 20% (2020: 20%)	7,930,449	10,070,280
Effects of:		
Revenue not subject to taxation	(8,909,514)	(11,250,819)
Unrelieved excess management expenses	979,065	1,180,539
Overseas tax	645,153	484,882
Total tax charge (see note 6(a))	<u><u>645,153</u></u>	<u><u>484,882</u></u>

At 31 July 2021 the sub-fund has deferred tax assets of £12,202,609 (2020: £11,223,544) arising from surplus management expenses, which have not been recognised due to uncertainty over the availability of future taxable profits.

7 DISTRIBUTIONS

	31 July 2021	31 July 2020
	£	£
The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:		
Interim	20,372,613	34,364,833
Final	25,404,557	24,102,758
Amounts deducted on cancellation of shares	1,748,373	2,543,722
Amounts added on issue of shares	(136,027)	(820,779)
Equalisation on conversions	98	35
Revenue brought forward	(268)	(591)
Distributions	<u><u>47,389,346</u></u>	<u><u>60,189,978</u></u>
Movement between net revenue and distributions:		
Net revenue after taxation	39,007,091	49,866,520
Add: ACD's periodic charge borne by capital	9,218,521	11,428,650
Deduct: Tax effect of ACD's periodic charge borne by capital	(836,266)	(1,105,192)
	<u><u>47,389,346</u></u>	<u><u>60,189,978</u></u>

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH MULTI CAP INCOME FUND**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2021

8 DEBTORS	31 July 2021	31 July 2020
	£	£
Amounts receivable for issue of shares	176,401	54,374
Sales awaiting settlement	892,777	1,087,036
Accrued income	4,862,545	4,904,729
Taxation recoverable	489,317	445,364
Total debtors	<u>6,421,040</u>	<u>6,491,503</u>

9 OTHER CREDITORS	31 July 2021	31 July 2020
	£	£
Amounts payable for cancellation of shares	3,748,572	3,300,126
Purchases awaiting settlement	-	2,080,313
Manager's periodic charge and registration fees	823,575	801,111
Accrued expenses	59,784	62,444
Total other creditors	<u>4,631,931</u>	<u>6,243,994</u>

10 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities as at 31 July 2021 (2020: nil).

11 RELATED PARTIES

The ACD is involved in all transactions in the shares of the sub-fund, the aggregate values of which are set out in the statement of change in net assets attributable to shareholders and note 7. Amounts due to/from the ACD in respect of share transactions at the year end are disclosed in notes 8 and 9. Amounts paid to the ACD or associates in respect of the ACD's periodic charge and other fees are disclosed in note 5. Amounts due to the ACD at the year end are £4,395,746 (2020: £4,046,863).

In addition to the above, some shares in the Fund are owned by directors of Marlborough Fund Managers Ltd or directors of UFC Fund Management plc, the ultimate parent company of Marlborough Fund Managers Ltd, as set out below:

	31 July 2021	31 July 2020
Proportion of shares owned by directors of Marlborough Fund Managers Ltd or UFC Fund Management plc	0.07%	0.05%

Distributions were payable on the above holdings at the rates applicable to other shareholders.

12 SHARE CLASSES

The share classes in issue for the sub-fund and the annual management charge for each share class is as follows:

A Income	1.50%
A Accumulation	1.50%
B Income	1.00%
B Accumulation	1.00%
P Income	0.75%
P Accumulation	0.75%

13 SHAREHOLDERS' FUNDS RECONCILIATION

During the year the ACD has issued, cancelled and converted shares from one share class to another as set out below:

	<u>A Income</u>	<u>A Accumulation</u>	<u>B Income</u>
Opening shares in issue at 1 August 2020	44,058,946	37,419,657	656,770
Share issues	1,325,278	736,694	-
Share cancellations	(10,523,659)	(6,784,822)	(40,987)
Share conversions	(1,862,471)	(2,070,733)	(573,827)
Closing shares in issue at 31 July 2021	<u>32,998,094</u>	<u>29,300,796</u>	<u>41,956</u>

	<u>B Accumulation</u>	<u>P Income</u>	<u>P Accumulation</u>
Opening shares in issue at 1 August 2020	498,367	493,579,930	178,418,175
Share issues	48,130	2,509,147	2,870,201
Share cancellations	(145,773)	(86,782,834)	(23,091,267)
Share conversions	(289,540)	2,550,879	2,177,140
Closing shares in issue at 31 July 2021	<u>111,184</u>	<u>411,857,122</u>	<u>160,374,249</u>

**THE MARLBOROUGH NO 2 OEIC
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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2021

14 RISK DISCLOSURES

Market price risk sensitivity

A five per cent increase in the market prices of the sub-fund's portfolio would have the effect of increasing the return and net assets by £57,107,138 (2020: £53,342,673). A five per cent decrease would have an equal and opposite effect.

Foreign currency risk

At the year end date a portion of the net assets of the sub-fund were denominated in currencies other than sterling with the effect that the balance sheet and total return can be affected by exchange rate movements.

Foreign currency exposure at 31 July 2021

	Investments £	Net other assets £	Total £
Euro	34,767,645	293,548	35,061,193
Norwegian Krona	-	167,952	167,952
Swedish Krona	12,863,864	-	12,863,864
Swiss Franc	-	165,767	165,767
US Dollar	7,998,640	87,585	8,086,225
	<u>55,630,149</u>	<u>714,852</u>	<u>56,345,001</u>

Foreign currency exposure at 31 July 2020

	Investments £	Net other assets £	Total £
Euro	38,000,412	575,837	38,576,249
Norwegian Krona	2,274,306	163,831	2,438,137
Swedish Krona	4,819,402	-	4,819,402
Swiss Franc	4,228,946	175,662	4,404,608
US Dollar	3,503,883	52,538	3,556,421
	<u>52,826,949</u>	<u>967,868</u>	<u>53,794,817</u>

Foreign currency risk sensitivity

A five per cent decrease in the value of sterling relative to the foreign currencies above would have the effect of increasing the return and net assets by £2,817,250 (2020: £2,689,741). A five per cent increase would have an equal and opposite effect.

Interest rate risk

The interest rate risk profile of financial assets and liabilities consists of the following:

	31 July 2021 £	31 July 2020 £
Financial assets floating rate	31,510,332	24,470,534
Financial assets non-interest bearing instruments	1,148,563,791	1,073,344,967
Financial liabilities non-interest bearing instruments	(20,230,160)	(21,605,667)
	<u>1,159,843,963</u>	<u>1,076,209,834</u>

As most of the sub-fund's financial assets are non-interest bearing, an interest rate sensitivity analysis has not been included.

Liquidity risk

The following table provides a maturity analysis of the sub-fund's financial liabilities:

	31 July 2021 £	31 July 2020 £
Within one year:		
Distribution payable on income shares	15,598,229	15,361,673
Other creditors	4,631,931	6,243,994
	<u>20,230,160</u>	<u>21,605,667</u>

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH MULTI CAP INCOME FUND**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2021

15 FAIR VALUE HIERARCHY FOR INVESTMENTS

Basis of valuation	31 July 2021		31 July 2020	
	Assets (£)	Liabilities (£)	Assets (£)	Liabilities (£)
Level 1 - Quoted prices	1,142,142,751	-	1,066,853,464	-
Level 2 - Observable market data	-	-	-	-
Level 3 - Unobservable data	-	-	-	-
	<u>1,142,142,751</u>	<u>-</u>	<u>1,066,853,464</u>	<u>-</u>

The intention of a fair value measurement is to estimate the price at which an asset or liability could be exchanged in the market conditions prevailing at the measurement date. The measurement assumes the exchange is an orderly transaction (that is, it is not a forced transaction, involuntary liquidation or distress sale) between knowledgeable, willing participants on an independent basis.

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities. The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority to unobservable inputs.

In accordance with FRS102 the Fund classifies fair value measurement under the following levels:

Level 1 - Unadjusted quoted price in an active market for an identical instrument;

Level 2 - Valuation techniques using observable inputs other than quoted prices within level 1; and

Level 3 - Valuation techniques using unobservable inputs.

16 POST BALANCE SHEET EVENTS

Since 31 July 2021, the Net Asset Value per share has changed as follows:

	Net Asset Value per share (pence)		
	30 July 2021 *	19 November 2021	Movement (%)
A Income	153.48	153.64	0.10%
A Accumulation	236.88	242.31	2.29%
P Income	163.54	164.10	0.34%
P Accumulation	240.44	246.52	2.53%

* These Net Asset Values differ from those in the Comparative Table as they are the quoted Net Asset Values.

On 31 August 2021, B Income and B Accumulation share classes were converted to the cheaper P Income and P Accumulation share classes.

**THE MARLBOROUGH NO 2 OEIC
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DISTRIBUTION TABLE

Interim distribution for the period from 1 August 2020 to 31 January 2021

Group 1: shares purchased prior to 1 August 2020

Group 2: shares purchased on or after 1 August 2020

		Net revenue 31 January 2021 pence per share	Equalisation 31 January 2021 pence per share	Distribution paid 31 March 2021 pence per share	Distribution paid 31 March 2020 pence per share
A Income	Group 1	2.5064p	-	2.5064p	3.4230p
	Group 2	0.7680p	1.7384p	2.5064p	3.4230p
A Accumulation	Group 1	3.7962p	-	3.7962p	4.9620p
	Group 2	1.4043p	2.3919p	3.7962p	4.9620p
B Income	Group 1	2.6186p	-	2.6186p	3.5540p
	Group 2	2.6186p	-	2.6186p	3.5540p
B Accumulation	Group 1	3.7783p	-	3.7783p	4.9144p
	Group 2	2.6825p	1.0958p	3.7783p	4.9144p
P Income	Group 1	2.6551p	-	2.6551p	3.5987p
	Group 2	1.1281p	1.5270p	2.6551p	3.5987p
P Accumulation	Group 1	3.8310p	-	3.8310p	4.9702p
	Group 2	1.2759p	2.5551p	3.8310p	4.9702p

Final distribution for the period from 1 February 2021 to 31 July 2021

Group 1: shares purchased prior to 1 February 2021

Group 2: shares purchased on or after 1 February 2021

		Net revenue 31 July 2021 pence per share	Equalisation 31 July 2021 pence per share	Distribution paid 30 September 2021 pence per share	Distribution paid 30 September 2020 pence per share
A Income	Group 1	3.3103p	-	3.3103p	2.7146p
	Group 2	2.1263p	1.1840p	3.3103p	2.7146p
A Accumulation	Group 1	5.1091p	-	5.1091p	4.0207p
	Group 2	2.8749p	2.2342p	5.1091p	4.0207p
B Income	Group 1	3.4667p	-	3.4667p	2.8264p
	Group 2	3.4667p	-	3.4667p	2.8264p
B Accumulation	Group 1	5.1002p	-	5.1002p	3.9935p
	Group 2	3.4441p	1.6561p	5.1002p	3.9935p
P Income	Group 1	3.5217p	-	3.5217p	2.8662p
	Group 2	2.1180p	1.4037p	3.5217p	2.8662p
P Accumulation	Group 1	5.1776p	-	5.1776p	4.0447p
	Group 2	3.1959p	1.9817p	5.1776p	4.0447p

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH NANO-CAP GROWTH FUND**

AUTHORISED INVESTMENT ADVISER'S REPORT

for the year ended 31 July 2021

Percentage change and sector position to 31 July 2021

	<u>Six months</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>	<u>01.11.2013*</u>
Marlborough Nano-Cap Growth Fund	20.98%	72.34%	68.70%	183.87%	216.68%
FTSE SmallCap Index (ex. Investment Cos)	28.12%	71.37%	35.45%	70.77%	99.12%
IA UK Smaller Companies	19.15%	52.31%	34.79%	100.61%	134.07%
Quartile Ranking**	3	1	1	1	1

* Launch period ended 31 October 2013.

** Based on ranking within The Investment Association's UK Smaller Companies sector.

External Source of Economic Data: Morningstar (P Acc - quoted to quoted).

During the 12-month period from 1st August 2020 to 31st July 2021, the price of the 'P' class units rose 72.34%. This compared to a rise of 68.11%, 41.37% and 35.53% for the FTSE Small Cap Ex IT, FTSE AIM and FTSE 250 indices respectively.

The last 12 months have seen significant change and uncertainty across both society and the economy, due to COVID-19. Highly accommodative fiscal and monetary policies has led to a sharp rally in asset prices, particularly equities, many of which have hit new highs. Furthermore, the UK's admirable vaccination programme has allowed society and the real economy to return to some form of normality. However, uncertainty remains, the situation is a fluid one and actions may need to be taken should circumstances change.

The UK stock market continues to represent good value in comparison with other global markets, and we maintain the view that quality, niche small and mid-cap UK equities should have the agility to navigate changes, both positive and negative. Many of the fund's holdings, across a variety of sectors, have had a successful twelve months. Indeed, several have been significant beneficiaries of the pandemic. For example, many companies engaging in communications technology, cybersecurity, ecommerce, online gambling, payments, specialist healthcare devices and services in addition to video gaming have thrived. In contrast, the travel, retail, and leisure sectors experienced significant turbulence during the period. However, operators with minimal debt and compelling propositions have been better able to bounce back quickly following the success of the vaccination rollout.

Moreover, UK equity markets were very active, with a plethora of IPOs and placings during the period. The fund actively participated in this new issuance, taking the view that companies with sound business models and strong management teams should be supported. Mergers and acquisitions were also a feature during the period. A handful of our portfolio companies have been subject to takeovers and approaches; Wameja, which owned a stake in a cross-border payments platform HomeSend alongside majority owner MasterCard, was acquired by the senior shareholder in September. Minds + Machines, a registry service provider and owner of several generic top-level web domains, sold its TLD assets to the giant US domain registrar, GoDaddy. Wey Education, one of the largest online secondary schools in the UK, was acquired by Inspired Education. With no shortage of opportunity, we have been able to redeploy proceeds from the transactions into exciting businesses that we believe can become the stars of the future.

The biggest contributors over the period were Agronomics, Jubilee Metals, SDI Group, Water Intelligence, Cerillion, Impax Asset Management, K3 Business Technology and Eenergy. The biggest detractors comprised Westmount Energy, TP Group, Diaceutics, Longboat Energy, Golden Prospect Precious Metals and Pan African Resources.

The UK equity market has been significantly out of favour for some time, principally because of Brexit and political uncertainty. However, with Brexit largely resolved, a stable political environment and the UK proving its resilience and agility throughout the COVID-19 pandemic thus far, we believe the valuation disconnect between the UK equity market and other markets is unwarranted. On that basis, we believe the UK market and the Nano Cap fund continue to represent an excellent opportunity for investors for outstanding long-term capital appreciation, especially given the growing universe of exciting small companies offering exposure to a wide variety of emerging and more established growth markets.

Guy Feld / Eustace Santa Barbara
Hargreave Hale Limited
1 October 2021

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**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH NANO-CAP GROWTH FUND**

AUTHORISED INVESTMENT ADVISER'S REPORT
for the year ended 31 July 2021

Distributions (pence per share)

	<u>Year 2021</u>	<u>Year 2020</u>	<u>Year 2019</u>	<u>Year 2018</u>
<u>A Accumulation</u>				
Accumulation paid 31 March	-	-	-	-
Accumulation paid 30 September	-	-	-	-
<u>B Accumulation</u>				
Accumulation paid 31 March	-	-	-	0.0063
Accumulation paid 30 September	-	-	0.6000	0.1425
<u>P Accumulation</u>				
Accumulation paid 31 March	-	-	-	-
Accumulation paid 30 September	-	-	0.2768	0.3742

Portfolio changes

	Cost (£)
Largest purchases	
AfriTin Mining	5,134,536
Concurrent Technologies	4,613,632
Gear4Music (Holdings)	4,339,807
Parsley Box Group	3,840,000
Phoenix Copper Ltd	3,333,938
Kooth	3,217,038
Record	3,088,769
essensys	2,861,528
ZOO Digital Group	2,768,399
Kitwave Group	2,685,000
Other purchases	96,591,472
Total purchases for the year	132,474,119
Largest sales	Proceeds (£)
Jubilee Metals Group	7,475,623
Impax Asset Management Group	6,803,012
Wey Education	5,415,000
Eagle Eye Solutions Group	4,981,632
Global Atomic (Restricted Line)	4,255,963
IXICO	2,765,315
Moxico Resources	2,525,080
Argo Blockchain	2,206,270
ClearStar	1,760,000
Cornish Metals	1,685,439
Other sales	61,019,680
Total sales for the year	100,893,014

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH NANO-CAP GROWTH FUND**

COMPARATIVE TABLE

A Accumulation shares

Change in net assets per share	Year to 31.07.2021 pence	Year to 31.07.2020 pence	Year to 31.07.2019 pence
Opening net asset value per share	166.25	169.31	172.27
Return before operating charges*	116.64	(0.49)	(0.35)
Operating charges	(3.68)	(2.57)	(2.61)
Return after operating charges*	112.96	(3.06)	(2.96)
Distributions on accumulation shares	-	-	-
Retained distributions on accumulation shares	-	-	-
Closing net asset value per share	279.21	166.25	169.31

* after direct transaction costs of: 0.24 0.17 0.14

Performance

Return after charges 67.95% -1.81% -1.72%

Other information

Closing net asset value (£)	34,831,740	19,579,431	21,643,451
Closing number of shares	12,474,902	11,777,079	12,783,454
Operating charges	1.56% ^A	1.55%	1.55%
Direct transaction costs	0.10%	0.10%	0.08%

Prices

Highest share price	293.57p	186.23p	191.92p
Lowest share price	165.50p	114.60p	151.30p

B Accumulation shares

Change in net assets per share	Year to 31.07.2021 pence	Year to 31.07.2020 pence	Year to 31.07.2019 pence
Opening net asset value per share	173.10	175.30	176.93
Return before operating charges*	125.39	(0.39)	0.17
Operating charges	(3.11)	(1.81)	(1.80)
Return after operating charges*	122.28	(2.20)	(1.63)
Distributions on accumulation shares	-	-	(0.60)
Retained distributions on accumulation shares	-	-	0.60
Closing net asset value per share	295.38	173.10	175.30

* after direct transaction costs of: 0.29 0.18 0.14

Performance

Return after charges 70.64% -1.25% -0.92%

Other information

Closing net asset value (£)	749,279	1,731	18
Closing number of shares	253,670	1,000	10
Operating charges	1.06% ^A	1.05%	1.05%
Direct transaction costs	0.10%	0.10%	0.08%

Prices

Highest share price	310.25p	193.88p	197.15p
Lowest share price	172.37p	117.82p	155.68p

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

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH NANO-CAP GROWTH FUND**

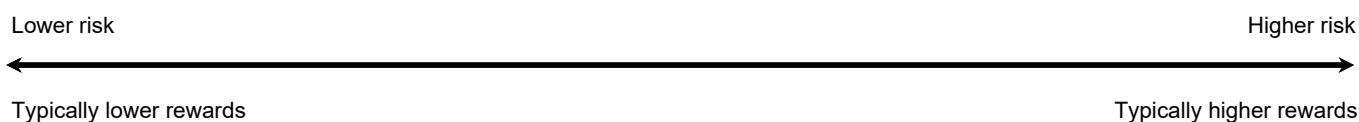
COMPARATIVE TABLE

<u>P Accumulation shares</u>	Year to 31.07.2021 pence	Year to 31.07.2020 pence	Year to 31.07.2019 pence
Change in net assets per share			
Opening net asset value per share	175.09	176.93	178.67
Return before operating charges*	123.16	(0.44)	(0.34)
Operating charges	(2.04)	(1.40)	(1.40)
Return after operating charges*	121.12	(1.84)	(1.74)
Distributions on accumulation shares	-	-	(0.28)
Retained distributions on accumulation shares	-	-	0.28
Closing net asset value per share	296.21	175.09	176.93
* after direct transaction costs of:	0.25	0.18	0.14
Performance			
Return after charges	69.18%	-1.04%	-0.97%
Other information			
Closing net asset value (£)	315,583,278	163,648,738	182,185,518
Closing number of shares	106,539,742	93,467,101	102,967,550
Operating charges	0.81% ^A	0.80%	0.80%
Direct transaction costs	0.10%	0.10%	0.08%
Prices			
Highest share price	310.74p	195.33p	199.15p
Lowest share price	174.18p	120.29p	157.40p

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

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

SYNTHETIC RISK AND REWARD INDICATOR (all share classes)



1	2	3	4	5	6	7
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The synthetic risk and reward indicator above aims to provide you with an indication of the overall risk and reward profile of the sub-fund. It is calculated based on the volatility of the sub-fund using weekly historic returns over the last five years. If five years data is not available for a sub-fund, the returns of a representative portfolio are used.

The sub-fund has been measured as 6 because it has experienced high volatility historically. During the year the synthetic risk and reward indicator has remained unchanged.

THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH NANO-CAP GROWTH FUND

PORTFOLIO STATEMENT

as at 31 July 2021

Holding or nominal value	Bid value £	Percentage of total net assets %
AEROSPACE AND DEFENCE (31 July 2020 - 0.21%)		
9,185,000 TP Group	390,363	0.11
Total Aerospace and Defence	<u>390,363</u>	<u>0.11</u>
ALTERNATIVE ENERGY (31 July 2020 - 0.87%)		
AUTOMOBILES AND PARTS (31 July 2020 - 0.39%)		
4,332,186 Surface Transforms	2,555,990	0.73
Total Automobiles and Parts	<u>2,555,990</u>	<u>0.73</u>
BEVERAGES (31 July 2020 - 0.32%)		
80,500 Shepherd Neame	788,900	0.22
1,250,000 The Artisanal Spirits Company	1,087,500	0.31
Total Beverages	<u>1,876,400</u>	<u>0.53</u>
CHEMICALS (31 July 2020 - 0.23%)		
2,156,884 Hardide	690,203	0.20
6,071,429 Plant Health Care	831,786	0.24
Total Chemicals	<u>1,521,989</u>	<u>0.44</u>
CLOSED END INVESTMENTS (31 July 2020 - 0.94%)		
1,088,526 Augmentum Fintech	1,757,970	0.50
2,000,000 Golden Prospect Precious Metals	930,000	0.26
2,493,472 KRM22	872,715	0.25
Total Closed End Investments	<u>3,560,685</u>	<u>1.01</u>
CONSTRUCTION AND MATERIALS (31 July 2020 - 0.85%)		
200,000 Billington Holdings	600,000	0.17
3,500,000 SigmaRoc	3,360,000	0.96
Total Construction and Materials	<u>3,960,000</u>	<u>1.13</u>
ELECTRONIC AND ELECTRICAL EQUIPMENT (31 July 2020 - 3.90%)		
17,296,600 CAP-XX	1,020,499	0.29
1,000,000 SDI Group	1,960,000	0.56
14,000,000 Thruvision Group	3,332,000	0.95
2,000,000 Volex	6,910,000	1.97
Total Electronic and Electrical Equipment	<u>13,222,499</u>	<u>3.77</u>
FINANCE AND CREDIT SERVICES (31 July 2020 - 0.41%)		
FOOD PRODUCERS (31 July 2020 - 0.40%)		
GENERAL INDUSTRIALS (31 July 2020 - 0.96%)		
886,000 Hargreaves Services	4,430,000	1.26
Total General Industrials	<u>4,430,000</u>	<u>1.26</u>
HEALTH CARE PROVIDERS (31 July 2020 - 2.46%)		
687,681 Diaceutics	742,695	0.21
2,290,000 Induction Healthcare Group	1,534,300	0.44
9,412,273 Open Orphan	2,164,823	0.62
6,585,000 Totally	2,436,450	0.69
Total Health Care Providers	<u>6,878,268</u>	<u>1.96</u>
HOUSEHOLD GOODS AND HOME CONSTRUCTION (31 July 2020 - 1.53%)		
1,768,939 Springfield Properties	2,830,302	0.81
Total Household Goods and Home Construction	<u>2,830,302</u>	<u>0.81</u>

THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH NANO-CAP GROWTH FUND

PORTFOLIO STATEMENT

as at 31 July 2021

Holding or nominal value	Bid value £	Percentage of total net assets %
INDUSTRIAL ENGINEERING (31 July 2020 - 2.69%)		
363,200 Mpac Group	1,990,336	0.57
2,000,000 Renold	412,000	0.12
472,800 Somero Enterprises	2,127,600	0.61
1,343,550 Xeros Technology Group	2,485,568	0.71
Total Industrial Engineering	<u>7,015,504</u>	<u>2.01</u>
INDUSTRIAL MATERIALS (31 July 2020 - 0.29%)		
INDUSTRIAL METALS AND MINING (31 July 2020 - 2.15%)		
107,555,000 AfriTin Mining	5,485,305	1.56
3,300,000 Cornish Metals	488,400	0.14
52,426,552 Horizonte Minerals	3,460,152	0.98
13,750,000 Metals Exploration	185,625	0.05
7,885,000 Phoenix Copper Ltd	4,888,700	1.39
1,756,000 Tharisa	1,984,280	0.56
Total Industrial Metals and Mining	<u>16,492,462</u>	<u>4.68</u>
INDUSTRIAL SUPPORT SERVICES (31 July 2020 - 7.97%)		
1,000,000 Cromax Security Solutions Group	670,000	0.19
2,195,000 eEnergy Group	395,100	0.11
4,717,685 Frontier IP Group	4,151,563	1.18
1,220,000 Journeo	1,464,000	0.42
500,000 Marlowe	3,870,000	1.10
20,000,000 REACT Group	480,000	0.14
1,000,000 Smiths News	408,000	0.12
1,000,000 Staffline Group	644,000	0.18
3,000,000 Sureserve Group	2,700,000	0.77
8,400,000 Wameja	638,400	0.18
681,700 Water Intelligence	7,157,850	2.04
Total Industrial Support Services	<u>22,578,913</u>	<u>6.43</u>
INVESTMENT BANKING AND BROKERAGE SERVICES (31 July 2020 - 8.57%)		
324,900 Alpha FX Group	5,263,380	1.50
200,000 Curtis Banks Group	516,000	0.15
600,000 Impax Asset Management Group	7,152,000	2.04
865,600 K3 Capital Group	2,891,104	0.82
3,636,364 Mode Global Holdings	1,600,000	0.46
20,000,000 NFT Investments	480,000	0.14
4,195,000 Record	3,699,990	1.05
82,455,882 RiverFort Global Opportunities	1,030,699	0.29
3,000,000 Sigma Capital Group	6,000,000	1.71
1,363,636 Team	1,063,636	0.30
66,926 Volvere	870,038	0.25
4,250,000 WH Ireland Group	2,380,000	0.68
Total Investment Banking and Brokerage Services	<u>32,946,847</u>	<u>9.39</u>
LEISURE GOODS (31 July 2020 - 0.55%)		
740,500 Gear4Music (Holdings)	6,886,650	1.96
Total Leisure Goods	<u>6,886,650</u>	<u>1.96</u>
MEDIA (31 July 2020 - 4.19%)		
912,133 Dianomi	2,937,068	0.84
4,715,000 Ebiquity	2,498,950	0.71
1,758,392 Everyman Media Group	2,461,749	0.70
500,000 M&C Saatchi	662,500	0.19
4,750,000 National World	1,710,000	0.49
31,193,730 One Media iP Group	2,651,467	0.75
6,246,346 XLMedia	3,123,173	0.89
1,583,333 Zinc Media Group	886,666	0.25
Total Media	<u>16,931,573</u>	<u>4.82</u>

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as at 31 July 2021

Holding or nominal value	Bid value £	Percentage of total net assets %	
MEDICAL EQUIPMENT AND SERVICES (31 July 2020 - 3.50%)			
2,250,000	Circassia Group	698,625	0.20
1,318,600	Creo Medical Group	2,637,200	0.75
2,566,394	Inspiration Healthcare Group	3,131,001	0.89
9,494,999	Kromek Group	1,965,465	0.56
638,000	NetScientific	714,560	0.20
800,000	Physiomics	48,800	0.01
	Total Medical Equipment and Services	<u>9,195,651</u>	<u>2.61</u>
OIL, GAS AND COAL (31 July 2020 - 4.69%)			
55,652,030	Deltic Energy	946,085	0.27
2,173,050	Jadestone Energy	1,673,249	0.48
2,333,332	Longboat Energy 'Reg S'	1,563,332	0.44
13,333,333	Quadrise Fuels International	361,333	0.10
1,475,500	Trinity Exploration & Production	2,434,575	0.69
17,079,146	Westmount Energy	1,366,332	0.39
	Total Oil, Gas and Coal	<u>8,344,906</u>	<u>2.37</u>
OPEN END AND MISCELLANEOUS INVESTMENT VEHICLES (31 July 2020 - 0.06%)			
625,000	Marwyn Acquisition Company	12,500	-
1,000,000	Summerway Capital	1,700,000	0.48
	Total Open End and Miscellaneous Investment Vehicles	<u>1,712,500</u>	<u>0.48</u>
PERSONAL CARE, DRUG AND GROCERY STORES (31 July 2020 - 1.41%)			
5,845,646	Accrol Group Holdings	2,688,997	0.77
1,500,000	Kitwave Group	2,340,000	0.67
1,695,000	McCull's Retail Group	610,200	0.17
1,920,000	Parsley Box Group	2,496,000	0.71
	Total Personal Care, Drug and Grocery Stores	<u>8,135,197</u>	<u>2.32</u>
PHARMACEUTICALS AND BIOTECHNOLOGY (31 July 2020 - 2.34%)			
21,780,000	Agronomics	5,009,400	1.43
3,158,480	Poolbeg Pharma	331,640	0.09
333,000	RUA Life Sciences	416,250	0.12
	Total Pharmaceuticals and Biotechnology	<u>5,757,290</u>	<u>1.64</u>
PRECIOUS METALS AND MINING (31 July 2020 - 3.63%)			
10,382,018	ARC Minerals	384,135	0.11
47,246,000	Jubilee Metals Group	8,362,542	2.38
6,585,000	Pan African Resources	1,144,473	0.33
13,170,000	Shanta Gold	1,712,100	0.49
	Total Precious Metals and Mining	<u>11,603,250</u>	<u>3.31</u>
REAL ESTATE INVESTMENT AND SERVICES (31 July 2020 - 1.00%)			
878,000	The Property Franchise Group	2,669,120	0.76
	Total Real Estate Investment and Services	<u>2,669,120</u>	<u>0.76</u>
RETAILERS (31 July 2020 - 1.33%)			
1,536,500	Angling Direct	1,106,280	0.31
1,000,000	CMO Group	2,100,000	0.60
19,000,000	Sosandar	6,270,000	1.79
	Total Retailers	<u>9,476,280</u>	<u>2.70</u>
SOFTWARE AND COMPUTER SERVICES (31 July 2020 - 22.97%)			
4,625,322	1Spatial	1,665,116	0.47
4,173,698	Access Intelligence	4,966,701	1.41
395,100	accesso Technology Group	2,410,110	0.69
1,900,000	Actual Experience	1,900,000	0.54
7,808,677	ATTRAQT Group	3,201,558	0.91
2,896,656	Beeks Financial Cloud Group	3,128,388	0.89
769,500	Cerillion	6,309,900	1.80

THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH NANO-CAP GROWTH FUND

PORTFOLIO STATEMENT

as at 31 July 2021

Holding or nominal value		Bid value £	Percentage of total net assets %
SOFTWARE AND COMPUTER SERVICES (continued)			
3,226,987	CloudCall Group	2,000,732	0.57
48,500,000	Crimson Tide	1,406,500	0.40
2,581,300	Crossword Cybersecurity	826,016	0.23
1,300,000	D4t4 Solutions	4,680,000	1.33
787,132	Eagle Eye Solutions Group	4,014,373	1.14
2,258,474	essensys	6,594,744	1.88
3,797,000	GetBusy	3,037,600	0.87
7,734,000	GRC International Group	3,248,280	0.93
1,543,207	Ingenta	987,652	0.28
584,960	Instem	4,328,704	1.23
1,756,000	Intercede Group	1,791,120	0.51
7,809,820	IQGeo Group	9,527,980	2.71
544,250	K3 Business Technology Group	1,055,845	0.30
1,097,500	Kooth	3,753,450	1.07
21,750,000	Minds + Machines Group	1,566,000	0.45
2,416,717	Oxford Metrics	2,585,887	0.74
4,033,982	PCI-PAL	3,428,885	0.98
20,000,000	Rossllyn Data Technologies	944,000	0.27
4,752,777	SEEN	1,996,166	0.57
494,366	Sopheon	4,202,111	1.20
3,512,000	SysGroup	1,264,320	0.36
992,500	ULS Technology	732,465	0.21
491,680	Vianet Group	486,763	0.14
12,500,000	VR Education Holdings	1,906,250	0.54
2,195,000	ZOO Digital Group	2,963,250	0.84
	Total Software and Computer Services	<u>92,910,866</u>	<u>26.46</u>
TECHNOLOGY HARDWARE AND EQUIPMENT (31 July 2020 - Nil)			
4,590,000	Concurrent Technologies	3,717,900	1.06
	Total Technology Hardware and Equipment	<u>3,717,900</u>	<u>1.06</u>
TELECOMMUNICATIONS EQUIPMENT (31 July 2020 - 3.19%)			
1,782,340	BATM Advanced Communications	1,561,330	0.44
23,506,515	Filtronic	2,468,184	0.70
1,875,000	MTI Wireless Edge Ltd	1,256,250	0.36
	Total Telecommunications Equipment	<u>5,285,764</u>	<u>1.50</u>
TELECOMMUNICATIONS SERVICE PROVIDERS (31 July 2020 - 0.59%)			
TRAVEL AND LEISURE (31 July 2020 - 4.01%)			
345,000	Brighton Pier Group (The)	196,650	0.06
1,219,500	Cake Box Holdings	3,853,620	1.10
9,421,299	DP Poland	659,491	0.19
6,000,000	Gaming Realms	2,394,000	0.68
10,056,944	Nightcap	1,910,819	0.54
1,298,807	Rotala	350,678	0.10
2,641,176	Safestay	475,412	0.14
24,500,000	Tasty	1,225,000	0.35
3,500,000	Ten Lifestyle Group	3,570,000	1.02
4,022,707	The Fulham Shore	603,406	0.17
1,804,110	Various Eateries	1,443,288	0.41
	Total Travel and Leisure	<u>16,682,364</u>	<u>4.76</u>
OVERSEAS SECURITIES (31 July 2020 - 1.84%)			
3,200,000	Wiluna Mining Corp Ltd	1,781,046	0.51
2,841,500	Salazar Resources	555,963	0.16
445,000	TMT Investments	3,344,667	0.95
	Total Overseas Securities	<u>5,681,676</u>	<u>1.62</u>

THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH NANO-CAP GROWTH FUND

PORTFOLIO STATEMENT

as at 31 July 2021

Holding or nominal value	Bid value £	Percentage of total net assets %
UNQUOTED SECURITIES (31 July 2020 - 6.37%)		
3,356,366 Albert Technologies ^C	-	-
850,000 Baskerville Capital Warrants	-	-
2,600,000 Crawshaw Group ^B	-	-
1,500,000 Gable Holdings ^B	-	-
2,843,978 HaloSource 'Reg S' ^B	-	-
5,942 Infinity Reliance ^A	249,980	0.07
800,000 Mar City ^B	-	-
20,104,167 Moxico Resources ^A	5,629,167	1.60
10,000,000 One Media iP Group Warrants	250,000	0.07
222,387 Prefcap ^C	-	-
37,666 SCA Investments ^A	5,839,360	1.66
Total Unquoted Securities	<u>11,968,507</u>	<u>3.40</u>
Portfolio of investments	337,219,716	96.03
Net other assets	<u>13,944,581</u>	<u>3.97</u>
Total net assets	<u><u>351,164,297</u></u>	<u><u>100.00</u></u>

^A These shares are unlisted and are being valued using the latest information received. Please refer to the Valuation section of the Accounting Policies on page 9 and 10 for further information.

^B These shares are valued at zero, as the companies are in administration with no expected return.

^C These shares have been delisted and are valued at zero, based on the latest information received.

All holdings of warrants have been valued at the exercise price less the price of the underlying ordinary shares.

THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH NANO-CAP GROWTH FUND

STATEMENT OF TOTAL RETURN
for the year ended 31 July 2021

	Notes	31 July 2021		31 July 2020	
		£	£	£	£
Income:					
Net capital gains/(losses)	2		128,217,407		(3,532,282)
Revenue	4	1,563,242		1,165,808	
Expenses	5	<u>(2,422,170)</u>		<u>(1,690,818)</u>	
Net expense before taxation		(858,928)		(525,010)	
Taxation	6	<u>(37,780)</u>		<u>(19,580)</u>	
Net expense after taxation			<u>(896,708)</u>		<u>(544,590)</u>
Total return before distributions			127,320,699		(4,076,872)
Distributions	7		40,722		21,067
Change in net assets attributable to shareholders from investment activities			<u>127,361,421</u>		<u>(4,055,805)</u>

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS
for the year ended 31 July 2021

	31 July 2021		31 July 2020	
	£	£	£	£
Opening net assets attributable to shareholders		183,229,900		203,828,987
Amounts receivable on issue of shares	102,530,900		11,500,861	
Amounts payable on cancellation of shares	(62,989,241)		(28,043,443)	
Amounts payable on share class conversions	<u>(1,621)</u>		<u>(654)</u>	
		39,540,038		(16,543,236)
Dilution adjustment		1,032,938		-
Change in net assets attributable to shareholders from investment activities		127,361,421		(4,055,805)
Retained distribution on accumulation shares		-		(46)
Closing net assets attributable to shareholders		<u>351,164,297</u>		<u>183,229,900</u>

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH NANO-CAP GROWTH FUND**

BALANCE SHEET
as at 31 July 2021

	Notes	31 July 2021 £	31 July 2020 £
Assets:			
Fixed Assets:			
Investments	15	337,219,716	177,388,265
Current Assets:			
Debtors	8	640,558	327,384
Cash and bank balances		15,251,857	6,573,980
Total assets		<u>353,112,131</u>	<u>184,289,629</u>
Liabilities:			
Creditors:			
Bank overdrafts		376,704	367,535
Other creditors	9	1,571,130	692,194
Total liabilities		<u>1,947,834</u>	<u>1,059,729</u>
Net assets attributable to shareholders		<u><u>351,164,297</u></u>	<u><u>183,229,900</u></u>

THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH NANO-CAP GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2021

1 ACCOUNTING, DISTRIBUTION AND RISK MANAGEMENT POLICIES

Please refer to the notes applicable to the Company on pages 9 to 11.

2 NET CAPITAL GAINS/(LOSSES)

The net gains/(losses) on investments during the year comprise:

	31 July 2021 £	31 July 2020 £
Non-derivative securities gains/(losses)	128,250,345	(3,510,986)
Currency losses	(17,054)	(7,082)
Transaction charges	(15,884)	(14,214)
Net capital gains/(losses)	<u>128,217,407</u>	<u>(3,532,282)</u>

3 PURCHASES, SALES AND TRANSACTION COSTS

	31 July 2021 £	31 July 2020 £
Purchases excluding transaction costs		
Equities	64,765,244	35,678,205
In specie transfer	6,086,984	-
Corporate actions	61,491,448	25,585,376
	<u>132,343,676</u>	<u>61,263,581</u>
Equities: Commissions	103,616	68,551
Taxes and other charges	26,827	9,850
Total purchase transaction costs	<u>130,443</u>	<u>78,401</u>
Purchases including transaction costs	<u>132,474,119</u>	<u>61,341,982</u>

Purchase transaction costs expressed as a percentage of the principal amount:

Equities: Commissions	0.16%	0.19%
Taxes and other charges	0.04%	0.03%

Sales excluding transaction costs

Equities	93,614,951	57,888,115
Corporate actions	7,429,184	9,184,362
	<u>101,044,135</u>	<u>67,072,477</u>
Equities: Commissions	(150,572)	(119,531)
Taxes and other charges	(549)	(454)
Total sale transaction costs	<u>(151,121)</u>	<u>(119,985)</u>
Sales net of transaction costs	<u>100,893,014</u>	<u>66,952,492</u>

Sale transaction costs expressed as a percentage of the principal amount:

Commissions	0.16%	0.21%
Taxes and other charges	0.00%	0.00%

Total purchases and sales transaction costs expressed as a percentage of the average net asset value over the year:

Commissions	0.09%	0.10%
Taxes and other charges	0.01%	0.00%
	<u>0.10%</u>	<u>0.10%</u>

Transaction handling charges

	<u>£15,884</u>	<u>£14,214</u>
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Average portfolio dealing spread

This spread represents the difference between the values determined respectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

Average portfolio dealing spread at the balance sheet date

	<u>3.62%</u>	<u>5.02%</u>
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4 REVENUE

	31 July 2021 £	31 July 2020 £
UK dividends	1,225,447	977,677
Overseas dividends	343,894	174,049
Interest on debt securities	(6,099)	1,496
Underwriting and other commission	-	12,224
Bank interest	-	362
Total revenue	<u>1,563,242</u>	<u>1,165,808</u>

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH NANO-CAP GROWTH FUND**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2021

5 EXPENSES

	31 July 2021	31 July 2020
	£	£
Payable to the ACD or associate:		
ACD's periodic charge	2,310,364	1,601,017
Registration fees	2,672	1,751
	<u>2,313,036</u>	<u>1,602,768</u>
Other expenses:		
Depository's fees	87,688	68,710
Safe Custody fees	13,916	11,574
Financial Conduct Authority fee	170	124
Audit fee	7,360	7,642
	<u>109,134</u>	<u>88,050</u>
Total expenses	<u>2,422,170</u>	<u>1,690,818</u>

6 TAXATION

	31 July 2021	31 July 2020
	£	£
a Analysis of the tax charge for the year		
Overseas tax	37,780	19,580
Total tax charge (see note 6(b))	<u>37,780</u>	<u>19,580</u>

b Factors affecting the tax charge for the year

The taxation assessed for the year is lower than the standard rate of corporation tax in the UK for an open ended investment company (20%). The differences are explained below.

Net expense before taxation	(858,928)	(525,010)
Corporation tax at 20% (2020: 20%)	(171,786)	(105,002)
Effects of:		
Revenue not subject to taxation	(313,868)	(230,345)
Unrelieved excess management expenses	485,654	335,347
Overseas tax	37,780	19,580
Total tax charge (see note 6(a))	<u>37,780</u>	<u>19,580</u>

At 31 July 2021 the Fund has deferred tax assets of £2,189,464 (2020: £1,703,810) arising from surplus management expenses, which have not been recognised due to uncertainty over the availability of future taxable profits.

7 DISTRIBUTIONS

	31 July 2021	31 July 2020
	£	£
The distributions take account of revenue deducted on the issue of shares and revenue received on the cancellation of shares, and comprise:		
Amounts added on cancellation of shares	(49,869)	(23,617)
Amounts deducted on issue of shares	10,768	3,250
Equalisation on conversions	(1,621)	(654)
Revenue brought forward	-	(46)
Distributions	<u>(40,722)</u>	<u>(21,067)</u>
Net deficit of revenue for the year	(855,986)	(523,523)
Net expense after taxation for the year	<u>(896,708)</u>	<u>(544,590)</u>

8 DEBTORS

	31 July 2021	31 July 2020
	£	£
Amounts receivable for issue of shares	106,061	300
Sales awaiting settlement	345,779	250,267
Accrued income	188,718	76,817
Total debtors	<u>640,558</u>	<u>327,384</u>

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH NANO-CAP GROWTH FUND**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2021

9 OTHER CREDITORS

	31 July 2021	31 July 2020
	£	£
Amounts payable for cancellation of shares	988,940	364,883
Purchases awaiting settlement	293,364	173,849
Manager's periodic charge and registration fees	258,575	131,516
Accrued expenses	30,251	21,946
Total other creditors	<u>1,571,130</u>	<u>692,194</u>

10 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities as at 31 July 2021 (2020: nil).

11 RELATED PARTIES

The ACD is involved in all transactions in the shares of the sub-fund, the aggregate values of which are set out in the statement of change in net assets attributable to shareholders and note 7. Amounts due to/from the ACD in respect of share transactions at the year end are disclosed in notes 8 and 9. Amounts paid to the ACD or associates in respect of the ACD's periodic charge and other fees are disclosed in note 5. Amounts due to the ACD at the year end are £1,141,454 (2020: £496,099).

In addition to the above, some shares in the Fund are owned by directors of Marlborough Fund Managers Ltd or directors of UFC Fund Management plc, the ultimate parent company of Marlborough Fund Managers Ltd, as set out below:

	31 July 2021	31 July 2020
Proportion of shares owned by directors of Marlborough Fund Managers Ltd or UFC Fund Management plc	0.20%	0.23%

Distributions were payable on the above holdings at the rates applicable to other shareholders.

12 SHARE CLASSES

The share classes in issue for the sub-fund and the annual management charge for each share class is as follows:

A Accumulation	1.50%
B Accumulation	1.00%
P Accumulation	0.75%

13 SHAREHOLDERS' FUNDS RECONCILIATION

During the year the ACD has issued, cancelled and converted shares from one share class to another as set out below:

	A Accumulation	B Accumulation	P Accumulation
Opening shares in issue at 1 August 2020	11,777,079	1,000	93,467,101
Share issues	2,093,835	438,311	35,288,017
Share cancellations	(1,077,456)	(115,392)	(22,587,006)
Share conversions	(318,556)	(70,249)	371,630
Closing shares in issue at 31 July 2021	<u>12,474,902</u>	<u>253,670</u>	<u>106,539,742</u>

14 RISK DISCLOSURES

Market price risk sensitivity

A five per cent increase in the market prices of the sub-fund's portfolio would have the effect of increasing the return and net assets by £16,860,986 (2020: £8,869,413). A five per cent decrease would have an equal and opposite effect.

Foreign currency risk

At the year end date a portion of the net assets of the sub-fund were denominated in currencies other than sterling with the effect that the balance sheet and total return can be affected by exchange rate movements.

Foreign currency exposure at 31 July 2021

	Investments	Net other assets	Total
	£	£	£
Australian Dollar	1,781,046	-	1,781,046
Canadian Dollar	555,963	-	555,963
US Dollar	3,344,667	48,448	3,393,115
	<u>5,681,676</u>	<u>48,448</u>	<u>5,730,124</u>

Foreign currency exposure at 31 July 2020

	Investments	Net other assets	Total
	£	£	£
Canadian Dollar	1,854,380	-	1,854,380
US Dollar	1,521,924	42,545	1,564,469
	<u>3,376,304</u>	<u>42,545</u>	<u>3,418,849</u>

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH NANO-CAP GROWTH FUND**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2021

14 RISK DISCLOSURES

Foreign currency risk sensitivity

A five per cent decrease in the value of sterling relative to the foreign currencies above would have the effect of increasing the return and net assets by £286,506 (2020: £170,942). A five per cent increase would have an equal and opposite effect.

Interest rate risk

The interest rate risk profile of financial assets and liabilities consists of the following:

	31 July 2021	31 July 2020
	£	£
Financial assets floating rate	15,251,857	6,573,980
Financial assets non-interest bearing instruments	337,860,274	177,715,649
Financial liabilities floating rate	(376,704)	(367,535)
Financial liabilities non-interest bearing instruments	(1,571,130)	(692,194)
	<u>351,164,297</u>	<u>183,229,900</u>

As most of the sub-fund's financial assets are non-interest bearing, an interest rate sensitivity analysis has not been included.

Liquidity risk

The following table provides a maturity analysis of the sub-fund's financial liabilities:

	31 July 2021	31 July 2020
	£	£
On demand:		
Bank overdrafts	376,704	367,535
Within one year:		
Other creditors	1,571,130	692,194
	<u>1,947,834</u>	<u>1,059,729</u>

15 FAIR VALUE HIERARCHY FOR INVESTMENTS

Basis of valuation	31 July 2021		31 July 2020	
	Assets (£)	Liabilities (£)	Assets (£)	Liabilities (£)
Level 1 - Quoted prices	325,251,209	-	165,705,881	-
Level 2 - Observable market data	-	-	-	-
Level 3 - Unobservable data	11,968,507	-	11,682,384	-
	<u>337,219,716</u>	<u>-</u>	<u>177,388,265</u>	<u>-</u>

The intention of a fair value measurement is to estimate the price at which an asset or liability could be exchanged in the market conditions prevailing at the measurement date. The measurement assumes the exchange is an orderly transaction (that is, it is not a forced transaction, involuntary liquidation or distress sale) between knowledgeable, willing participants on an independent basis.

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities. The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority to unobservable inputs.

In accordance with FRS102 the Fund classifies fair value measurement under the following levels:

- Level 1 - Unadjusted quoted price in an active market for an identical instrument;
- Level 2 - Valuation techniques using observable inputs other than quoted prices within level 1; and
- Level 3 - Valuation techniques using unobservable inputs.

16 POST BALANCE SHEET EVENTS

Since 31 July 2021, the Net Asset Value per share has changed as follows:

	Net Asset Value per share (pence)			
	30 July 2021 *	19 November 2021		Movement (%)
A Accumulation	283.77	281.44		-0.82%
P Accumulation	300.87	299.09		-0.59%

* These Net Asset Values differ from those in the Comparative Table as they are the quoted Net Asset Values.

On 31 August 2021, the B Accumulation share class was converted to the cheaper P Accumulation share class.

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH NANO-CAP GROWTH FUND**

DISTRIBUTION TABLE

Interim distribution for the period from 1 August 2020 to 31 January 2021

Group 1: shares purchased prior to 1 August 2020

Group 2: shares purchased on or after 1 August 2020

		Net revenue 31 January 2021 pence per share	Equalisation 31 January 2021 pence per share	Distribution paid 31 March 2021 pence per share	Distribution paid 31 March 2020 pence per share
A Accumulation	Group 1	-	-	-	-
	Group 2	-	-	-	-
B Accumulation	Group 1	-	-	-	-
	Group 2	-	-	-	-
P Accumulation	Group 1	-	-	-	-
	Group 2	-	-	-	-

Final distribution for the period from 1 February 2021 to 31 July 2021

Group 1: shares purchased prior to 1 February 2021

Group 2: shares purchased on or after 1 February 2021

		Net revenue 31 July 2021 pence per share	Equalisation 31 July 2021 pence per share	Distribution paid 30 September 2021 pence per share	Distribution paid 30 September 2020 pence per share
A Accumulation	Group 1	-	-	-	-
	Group 2	-	-	-	-
B Accumulation	Group 1	-	-	-	-
	Group 2	-	-	-	-
P Accumulation	Group 1	-	-	-	-
	Group 2	-	-	-	-

Marlborough

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