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MARLBOROUGH BOND INCOME FUND

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

for the year ended 31 May 2021

MARLBOROUGH BOND INCOME FUND

CONTACT INFORMATION

Authorised Fund Manager 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.

Trustee

HSBC Bank plc
8 Canada Square
London
E14 5HQ

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Auditor

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

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)

MARLBOROUGH BOND INCOME FUND

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MARLBOROUGH BOND INCOME FUND

AUTHORISED INVESTMENT ADVISER'S REPORT

for the year ended 31 May 2021

Percentage change and sector position to 31 May 2021

	<u>Six months</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>	<u>10/09/1998*</u>
Marlborough Bond Income Fund	-1.28%	4.33%	10.81%	21.47%	175.31%
IA Sterling Corporate Bond Sector	-1.14%	4.04%	14.17%	24.88%	168.18%
Quartile Ranking**	3	2	4	4	3

* Since end of launch period.

** Based on ranking within The Investment Association Sterling Corporate Bond Sector.

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

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

The Fund returned 4.33% over the year as the Class P Income unit rose in price from 52.33p to 53.14p and distributed a total of 1.43p in income payments. Higher government bond yields over the course of the year were offset by a recovery in credit spreads from the sharply wider levels seen in the early months of the global coronavirus pandemic.

Throughout the first six-months of the period, underlying UK gilt yields traded in a narrow, and historically low, range that was only briefly interrupted by a sell-off in global bond markets in the aftermath of the US Presidential election in early November. Shorter-maturity gilts (out to 7-8 years) even traded with negative yields for most of the second half of 2020, as the Bank of England refused to rule-out the possibility of base rates being cut into negative territory whilst many market participants remained pre-occupied with the likelihood of a doomsday scenario where Covid and Brexit combined to plunge the UK economy into chaos. As the year-end deadline for a Brexit resolution approached, yields across much of the curve retested the summer lows as investors sought safe-haven assets amidst a renewed wave of Covid-19 cases.

In what can now be seen as a mere foretaste of what was to come, an agreement on Brexit and a distinct lack of the anticipated problems at the borders saw gilt yields rise in the early days of the new year. Within weeks, positive news on the roll-out of vaccines in the UK prompted bond markets to extend their sell-off to take the yield on the 10-year gilt to 0.90% in the middle of May, before closing the period under review at around 0.80%.

Meanwhile corporate bonds further outperformed their government counterparts as credit spreads continued to grind tighter to close the period at levels last seen in the run-up to the Global Financial Crisis in 2007.

With the implicit promise of further liquidity provision being made available to the credit markets in times of stress, default levels are unlikely to be as high as those implied by historical correlations to previous sharp declines in economic growth. Nevertheless, given the heightened uncertainty for corporate business models going forward we will look to pursue a relatively cautious stance towards current market valuations.

With these factors in mind, we continue to believe in the medium-term attractions of the higher quality parts of the corporate bond market, whilst being cognisant of the need for caution and diversification in what remain unprecedented conditions. We favour investment grade bonds over high yield issuance and our emphasis remains firmly on capital preservation for the near term against what will continue to be an uncertain backdrop.

Geoff Hitchin
Marlborough Fund Managers Ltd
30 June 2021

Distributions (pence per unit)

	<u>Year 2021</u>	<u>Year 2020</u>	<u>Year 2019</u>	<u>Year 2018</u>	<u>Year 2017</u>
<u>A Income</u>					
Net income paid 31 January	0.296863	0.300048	0.316028	0.392940	0.420593
Net income paid 30 April	0.286509	0.296454	0.348535	0.364606	0.464041
Net income paid 31 July	0.301684	0.313984	0.312981	0.351097	0.443089
Net income paid 31 October		0.303292	0.300149	0.337623	0.430405
<u>B Income</u>					
Net income paid 31 January	0.383000	0.415000	0.358600	0.442103	0.458000
Net income paid 30 April	0.390000	0.395000	0.378494	0.425707	0.517000
Net income paid 31 July	0.401000	0.404000	-	0.401709	0.504909
Net income paid 31 October		0.390000	0.194000	0.405437	0.514294
<u>P Income</u>					
Net income paid 31 January	0.356194	0.357190	0.370995	0.449537	0.462756
Net income paid 30 April	0.345586	0.354128	0.404015	0.420411	0.519042
Net income paid 31 July	0.361508	0.371209	0.369633	0.407409	0.499036
Net income paid 31 October		0.362801	0.357597	0.393728	0.489536

MARLBOROUGH BOND INCOME FUND

AUTHORISED INVESTMENT ADVISER'S REPORT

for the year ended 31 May 2021

Portfolio changes

Largest purchases	Cost (£)
Great Places Housing Group 4.75% 22.10.42	452,841
BP Capital Markets 2.03% 14.02.25	342,068
THFC 5.2% 11.10.43	320,520
Vodafone Group 3% 12.08.56	315,300
InterContinental Hotels Group 3.375% 08.10.28	297,050
UK Treasury 1.75% 07.09.37	287,198
Tesco 5.5% 13.01.33	214,880
Optivo Finance 3.283% 22.03.48	177,186
United Kingdom Gilt 0.625% 22.10.50	176,160
BP Capital Markets 4.25% Perp	160,344
Other purchases	678,316
Total purchases for the year	3,421,863
Largest sales	Proceeds (£)
American International Group 5% 26.04.23	438,200
Orange 5.75% Und Nts	434,600
Anheuser-Busch InBev 1.75% 07.03.25	430,364
Metropolitan Life Global Funding I 2.625% 05.12.22	418,200
Korea Development Bank 1.75% 15.12.22	410,757
BP Capital Markets 1.177% 12.08.23	402,176
EDP Finance 8.625% 04.01.24	369,504
London Power Networks 5.125% 31.03.23	358,032
Birmingham Airport (Finance) 6.25% 22.02.21	351,000
BP Capital Markets 2.03% 14.02.25	346,737
Other sales	7,349,387
Total sales for the year	11,308,957

MARLBOROUGH BOND INCOME FUND

AUTHORISED STATUS AND GENERAL INFORMATION

Authorised status

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

Investment objective and policy

The investment objective of the Fund is to provide income, that is, money paid out from an investment as interest, with the potential for some capital growth, that is, to increase the value of your investment. The Fund aims to outperform the average of the IA Sterling Corporate Bond sector over any 5 year period, after any charges have been taken out of the Fund. However, there is no certainty this will be achieved.

At least 80% of the Fund will be invested in bonds issued by companies and institutions. These will be investment grade bonds which are loans issued by entities that have a high capacity to repay the debt.

The Fund may also invest in sub-investment grade bonds which can be more vulnerable to changing economic conditions, bonds issued by governments, shares (including preference shares and permanent interest bearing shares), bonds which may be converted into shares (known as convertible bonds) and money market instruments (which are shorter term loans).

The Fund is actively managed which means the Manager decides which investments to buy or sell and when. The Manager's principal aim is to buy bonds and hold them to maturity in order to maximise the income generated, although some investments may be sold prior to maturity.

The Fund invests in a diversified portfolio of securities and has no constraints in relation to industry.

The Manager uses derivatives (instruments whose returns are linked to another asset, market or other variable factor) and forward transactions, for the purposes of efficient portfolio management in order to reduce currency risk in the Fund, also known as hedging.

From time to time, the Fund may also use derivative instruments to gain exposure to certain currencies or manage interest rate risk in the Fund.

The Fund may hold up to 20% in cash to enable the ready settlement of liabilities, for the efficient management of the Fund and in pursuit of the Fund's objectives.

The Fund will be in the IA Sterling Corporate Bond sector.

Rights and terms attaching to each unit class

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

Assessment of value

The Manager is required to carry out an assessment of value at least annually and publish its findings in a report to investors. Marlborough Bond Income Fund is assessed and reported on, in a composite report which the Manager publishes on the website www.marlboroughfunds.com. The next report is expected to be published in a composite report by 31 July 2021.

Changes in prospectus

There have been no significant changes since the last annual report.

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

MARLBOROUGH BOND INCOME FUND

AUTHORISED STATUS AND GENERAL INFORMATION

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 Fund				
Senior management	9	818,149	584,012	234,137
Risk takers and other identified staff	6	365,959	334,929	31,030
Allocation of total remuneration of the employees of the AFM to the Fund				
Senior management	0.03	4,690	3,348	1,342
Risk takers and other identified staff	0.17	14,588	13,730	858

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 Fund is based on AUM where staff are not directly allocated to the Fund. The way these disclosures are calculated may change in the future.

MARLBOROUGH BOND INCOME FUND

DIRECTORS' STATEMENT

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



ALLAN HAMER
DIRECTOR



WAYNE D GREEN
DIRECTOR

MARLBOROUGH FUND MANAGERS LTD
27 July 2021

STATEMENT OF AUTHORISED FUND MANAGER'S RESPONSIBILITIES

The Financial Conduct Authority's Collective Investment Schemes Sourcebook (COLL) requires the Authorised Fund Manager (AFM) to prepare financial statements for each accounting year which give a true and fair view of the financial position of the Fund and of the net revenue and net capital gains on the property of the Fund for the year.

In preparing those financial statements the AFM 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 Fund will continue in operation.

The AFM is required to keep proper accounting records and to manage the Fund in accordance with the COLL rules, the Trust Deed and the Prospectus. The AFM is responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The AFM 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 AFM to take all necessary steps to familiarise itself with any relevant audit information and to establish that the auditor is aware of that information.

MARLBOROUGH BOND INCOME FUND

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 Unitholders of the Marlborough Bond Income Fund ("the Trust") for the period ended 31st May 2021

The Depositary in its capacity as Trustee of the Marlborough Bond Income Fund must ensure that the Trust is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Trust Deed 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 Trust and its investors.

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

The Depositary must ensure that:

- the Trust's cash flows are properly monitored and that cash of the Trust is booked in cash accounts in accordance with the Regulations;
- the sale, issue, repurchase, redemption and cancellation of units are carried out in accordance with the Regulations;
- the value of units of the Trust are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Trust's assets is remitted to the Trust within the usual time limits;
- the Trust'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 Trust is managed in accordance with the Regulations and the Scheme documents of the Trust in relation to the investment and borrowing powers applicable to the Trust.

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

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

(ii) has observed the investment and borrowing powers and restrictions applicable to the Trust in accordance with the Regulations and the Scheme documents of the Trust.

HSBC BANK PLC

LONDON

27 July 2021

MARLBOROUGH BOND INCOME FUND

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF MARLBOROUGH BOND INCOME FUND

Opinion

We have audited the financial statements of Marlborough Bond Income Fund ("the Fund") for the year ended 31 May 2021, which comprise the Statement of Total Return, the Statement of Changes in Net Assets Attributable to Unitholders, the Balance Sheet, the related notes and the Distribution Tables, and the accounting policies of the Fund set out on pages 17 and 18, 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 (United Kingdom Generally Accepted Accounting Practice) FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Fund as at 31 May 2021 and of the net revenue and the net capital gains on the scheme property of the Fund 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 Fund 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 Manager's 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 Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Manager 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 Fund'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 Manager is responsible for the other information contained in the Annual Report.

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.

MARLBOROUGH BOND INCOME FUND

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF MARLBOROUGH BOND INCOME FUND

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 Trust Deed;
- 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 Manager'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 belief, are necessary for the purposes of our audit.

Responsibilities of the Manager

As explained more fully in the Statement of Authorised Fund Manager's Responsibilities statement set out on page 5, the Manager 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 Manager 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 Manager is responsible for assessing the Fund'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 Manager either intends to wind up or terminate the Fund 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.

MARLBOROUGH BOND INCOME FUND

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF MARLBOROUGH BOND INCOME FUND

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 Fund and determined that the most significant are United Kingdom Accounting Standards (UK GAAP), including FRS 102, the IMA Statement of Recommended Practice, the FCA Collective Investment Schemes Sourcebook, the Fund's Trust Deed and the Prospectus.
- We understood how the Fund is complying with those frameworks through discussions with the Manager, the Investment Manager and the Fund's administrators and a review of the Fund's documented policies and procedures.
- We assessed the susceptibility of the Fund's financial statements to material misstatement, including how fraud might occur through discussions with management and from our knowledge of the business. We also considered the risk of management override, specifically management's propensity to influence the net asset value of the Fund and amounts available for distribution. We selected a sample of manual journal entries and validated the rationale and amount with Management and back to source information. We incorporated unpredictability in the nature, timing and extent of our testing.
- 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 Manager 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 Fund.
- Due to the regulated nature of the Fund, 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 Fund's Unitholders, 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 Fund's Unitholders 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 Fund and the Fund's Unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP
Statutory Auditor
Edinburgh

27 July 2021

Notes:

1. The maintenance and integrity of the Marlborough Fund Managers Ltd website is the responsibility of the Manager; 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.

MARLBOROUGH BOND INCOME FUND

COMPARATIVE TABLE

A Income units

Change in net assets per unit

	Year to 31.05.2021	Year to 31.05.2020	Year to 31.05.2019
	pence	pence	pence
Opening net asset value per unit	50.34	50.53	50.59
Return before operating charges*	2.64	1.84	2.06
Operating charges	(0.83)	(0.82)	(0.80)
Return after operating charges*	1.81	1.02	1.26
Distributions on income units	(1.19)	(1.21)	(1.32)
Closing net asset value per unit	50.96	50.34	50.53

* after direct transaction costs of:

- - -

Performance

Return after charges 3.60% 2.02% 2.49%

Other information

Closing net asset value (£)	18,735,794	27,383,106	32,683,701
Closing number of units	36,769,112	54,395,413	64,687,432
Operating charges	1.60%	1.59%	1.58%
Direct transaction costs	0.00%	0.00%	0.00%

Prices

Highest unit price	53.26p	52.46p	53.63p
Lowest unit price	50.41p	46.82p	49.34p

B Income units

Change in net assets per unit

	Year to 31.05.2021	Year to 31.05.2020	Year to 31.05.2019
	pence	pence	pence
Opening net asset value per unit	51.57	51.50	51.54
Return before operating charges*	3.01	2.05	1.66
Operating charges	(0.59)	(0.57)	(0.56)
Return after operating charges*	2.42	1.48	1.10
Distributions on income units	(1.56)	(1.41)	(1.14)
Closing net asset value per unit	52.43	51.57	51.50

* after direct transaction costs of:

- - -

Performance

Return after charges 4.69% 2.87% 2.13%

Other information

Closing net asset value (£)	524	516	5
Closing number of units	1,000	1,000	10
Operating charges	1.10%	1.09%	1.08%
Direct transaction costs	0.00%	0.00%	0.00%

Prices

Highest unit price	54.78p	53.83p	54.74p
Lowest unit price	51.70p	48.00p	50.35p

MARLBOROUGH BOND INCOME FUND

COMPARATIVE TABLE

P Income units

Change in net assets per unit	Year to 31.05.2021 pence	Year to 31.05.2020 pence	Year to 31.05.2019 pence
Opening net asset value per unit	51.77	51.76	51.63
Return before operating charges*	2.72	1.90	2.10
Operating charges	(0.46)	(0.45)	(0.43)
Return after operating charges*	2.26	1.45	1.67
Distributions on income units	(1.43)	(1.44)	(1.54)
Closing net asset value per unit	52.60	51.77	51.76

* after direct transaction costs of:

- - -

Performance

Return after charges	4.37%	2.80%	3.23%
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Other information

Closing net asset value (£)	4,961,703	3,794,088	9,397,457
Closing number of units	9,433,044	7,328,880	18,154,990
Operating charges	0.85%	0.84%	0.83%
Direct transaction costs	0.00%	0.00%	0.00%

Prices

Highest unit price	54.92p	53.94p	52.73p
Lowest unit price	51.85p	48.12p	50.60p

Operating charges are the same as the ongoing charges and are the total expenses paid by each unit 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 Fund. These amounts are expressed as a percentage of the average net asset value over the year and the average units in issue for the pence per unit figures.

SYNTHETIC RISK AND REWARD INDICATOR

Lower risk

Higher risk



Typically lower rewards

Typically higher rewards

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 Fund. It is calculated based on the volatility of the Fund using weekly historic returns over the last five years. If five years data is not available for a fund, the returns of a representative portfolio are used.

The Fund has been measured as 3 because it has experienced low to moderate volatility historically. During the year the synthetic risk and reward indicator has remained unchanged.

MARLBOROUGH BOND INCOME FUND

PORTFOLIO STATEMENT

as at 31 May 2021

Holding or nominal value		Bid value £	Percentage of total net assets %
STERLING (31 May 2020 - 92.57%)			
91,000	A2D Funding 4.75% 18.10.22	95,067	0.40
120,000	A2D Funding II 4.5% 30.09.26	136,235	0.58
100,000	ABP Finance 6.25% 14.12.26	121,667	0.51
160,000	Aegon 6.625% 16.12.39	270,830	1.14
110,000	Amgen 5.5% 07.12.26	135,379	0.57
110,000	AMP Group Finance Services 6.875% 23.08.22	116,053	0.49
150,000	Anglian Water Services Financing 2.625% 15.06.27	157,009	0.66
100,000	Aster Treasury 4.5% 18.12.43	142,595	0.60
400,000	AT&T 4.375% 14.09.29	474,632	2.00
230,000	Aviva 6.125% 14.11.36	279,450	1.18
280,000	AXA 5.453% Perp	322,000	1.36
250,000	Bank of America 8.125% 02.06.28	350,647	1.48
200,000	Barclays 3% 08.05.26	214,274	0.90
310,000	BHP Billiton Finance FRN 22.10.77	331,700	1.40
150,000	BP Capital Markets 4.25% Perp	157,875	0.67
123,405	Broadgate Financing 4.949% 05.04.31	140,568	0.59
250,000	BUPA Finance 5% 08.12.26	290,755	1.23
100,000	Canary Wharf Finance II 5.952% 22.01.35	138,198	0.58
150,000	Centrica 5.25% 10.04.75	161,625	0.68
360,000	Citigroup 5.15% 21.05.26	427,180	1.80
100,000	Close Brothers Group 4.25% 24.01.27	102,091	0.43
150,000	Clydesdale Bank 4.625% 08.06.26	178,335	0.75
300,000	Coöperatieve Rabobank 4.625% 23.05.29	354,117	1.49
60,000	Coventry Building Society 12.125% PIBS	122,850	0.52
400,000	CRH Finance (UK) 4.125% 02.12.29	474,576	2.00
160,000	Deutsche Bahn Finance 3.125% 24.07.26	178,475	0.75
200,000	Dwr Cymru (Financing) 2.5% 31.03.36	216,760	0.91
229,000	Electricity North West 8.875% 25.03.26	310,872	1.31
375,000	Enel 5.75% 22.06.37	534,964	2.26
300,000	Engie 7% 30.10.28	414,897	1.75
150,000	ENW Finance 6.125% 21.07.21	151,137	0.64
250,000	Equinor 6.875% 11.03.31	366,255	1.55
150,000	FCA Bank (Ireland) 1.625% 29.09.21	150,427	0.64
260,000	FCE Bank 2.727% 03.06.22	263,016	1.11
100,000	Gatwick Funding 6.125% 02.03.26	119,771	0.51
250,000	Gazprom 4.25% 06.04.24	266,275	1.12
200,000	General Electric 4.875% 18.09.37	233,880	0.99
250,000	General Motors Financial Co 2.25% 06.09.24	257,620	1.09
160,000	GlaxoSmithKline Capital 5.25% 19.12.33	222,275	0.94
165,000	Goldman Sachs Group 6.875% 18.01.38	258,047	1.09
300,000	Great Places Housing Group 4.75% 22.10.42	422,289	1.78
100,000	Hammerson 7.25% 21.04.28	120,679	0.51
100,000	Hiscox FRN 24.11.45	115,509	0.49
250,000	Home Group 0% 11.05.27	204,385	0.86
300,000	HSBC Holdings 5.75% 20.12.27	366,756	1.55
100,000	Imperial Brands Finance 5.5% 28.09.26	118,082	0.50
300,000	InterContinental Hotels Group 3.375% 08.10.28	322,029	1.36
120,000	IPIC GMTN 6.875% 14.03.26	152,395	0.64
100,000	JP Morgan Chase & Co 0.991% 28.04.26	100,075	0.42
200,000	Kraft Heinz Foods 4.125% 01.07.27	222,520	0.94
400,000	Lambay Capital Securities 6.25% Perp	4	0.00
300,000	Legal & General Group 5.375% 27.10.45	344,250	1.45
110,000	M&G 5% 20.07.55	129,112	0.55
350,000	McDonald's 5.875% 23.04.32	485,860	2.05
220,000	Mexico (United Mexican States) 5.625% 19.03.14	235,110	0.99
150,000	Mitchells & Butlers Finance 6.469% 15.09.30	165,929	0.70
100,000	Morrison (WM) Supermarkets 2.5% 01.10.31	103,884	0.44
100,000	Motability Operations Group 1.5% 20.01.41	90,997	0.38
100,000	Motability Operations Group 3.625% 10.03.36	121,679	0.51
100,000	Munich Re FRN 26.05.42	105,674	0.45

MARLBOROUGH BOND INCOME FUND
PORTFOLIO STATEMENT

as at 31 May 2021

Holding or nominal value	Bid value £	Percentage of total net assets %
STERLING (continued)		
125,000 National Grid 1.25% RPI Linked 06.10.21	157,750	0.67
65,000 National Westminster Bank 11.5% Perp	112,613	0.48
100,000 Next 3.625% 18.05.28	109,401	0.46
200,000 NGG Finance 5.625% 18.06.73	223,250	0.94
220,000 Northumbrian Water Finance 2.375% 05.10.27	232,113	0.98
150,000 Optivo Finance 3.283% 22.03.48	176,600	0.75
300,000 Ørsted 4.875% 12.01.32	388,320	1.64
50,000 Peel South East 10% 30.04.26	49,259	0.21
220,000 Places for People Treasury 2.875% 17.08.26	238,306	1.01
100,000 Porterbrook Rail Finance 4.625% 04.04.29	117,025	0.49
223,000 QBE Insurance Group 6.115% 24.05.42	233,621	0.99
100,000 Reckitt Benckiser Treasury Services 1.75% 19.05.32	100,141	0.42
130,000 RL Finance Bonds No. 2 6.125% 30.11.43	144,422	0.61
140,000 Rothschilds Continuation Finance (CI) 9% Perp	161,879	0.68
140,000 RZD Capital 7.487% 25.03.31	183,560	0.77
100,000 Sage Group 1.625% 25.02.31	96,783	0.41
100,000 Santander UK 5.875% 14.08.31	116,244	0.49
100,000 Scottish Widows 5.5% 16.06.23	108,772	0.46
100,000 Severn Trent Utilities Finance 4.875% 24.01.42	142,812	0.60
400,000 Sky 4% 26.11.29	474,560	2.00
200,000 SP Distribution 5.875% 17.07.26	246,088	1.04
100,000 Spain (Kingdom of) 5.25% 06.04.29	125,195	0.53
100,000 SSE 3.625% 16.09.77	102,250	0.43
200,000 SSE 8.375% 20.11.28	292,364	1.23
250,000 Telefónica Emisiones 5.375% 02.02.26	295,283	1.25
106,616 Telereal Securitisation 5.9478% 10.12.31	132,235	0.56
92,004 Tesco Property Finance 1 7.6227% 13.07.39	135,733	0.57
150,000 Thames Water Utilities Finance 4.375% 03.07.34	185,570	0.78
200,000 THFC (Funding No. 3) 5.2% 11.10.43	299,028	1.26
200,000 UK Treasury 0.625% 22.10.50	165,665	0.70
240,000 UK Treasury 1.75% 07.09.37	258,764	1.09
100,000 Vattenfall 6.875% 15.04.39	171,521	0.72
100,000 Veolia Environnement 6.125% 29.10.37	153,308	0.65
100,000 Verizon Communications 1.875% 19.09.30	99,780	0.42
450,000 Verizon Communications 3.375% 27.10.36	513,535	2.17
300,000 Vodafone Group 3% 12.08.56	314,355	1.33
135,000 Volkswagen Financial Services 2.25% 12.04.25	140,624	0.59
400,000 Walgreens Boots Alliance 3.6% 20.11.25	435,068	1.84
300,000 Welltower 4.5% 01.12.34	360,393	1.52
100,000 Yorkshire Power Finance 7.25% 04.08.28	137,190	0.58
250,000 Yorkshire Water Finance 3.75% 22.03.46	258,325	1.09
Total Sterling	21,957,302	92.65
EURO (31 May 2020 - 3.94%)		
200,000 Crédit Agricole Assurances 4.75% 27.09.48	208,743	0.88
104,000 International Personal Finance 9.75% 12.11.25	94,056	0.40
200,000 Merck 2.875% 25.06.79	185,549	0.78
250,000 Nationwide Building Society 2% 25.07.29	225,849	0.95
200,000 Total 3.369% Perp	188,341	0.80
100,000 Volkswagen International Finance 3.875% Perp	94,493	0.40
Total Euro	997,031	4.21
UNITED STATES DOLLAR (31 May 2020 - 2.12%)		
165,112 Avangardco Investments Public 10% 29.10.18	1,430	0.01
100,000 CVS Health 6.125% 15.09.39	94,718	0.40
175,000 Mitsui Sumitomo Insurance FRN 15.03.72	128,695	0.54
Total United States Dollar	224,843	0.95
Portfolio of stock investments	23,179,176	97.81

MARLBOROUGH BOND INCOME FUND

PORTFOLIO STATEMENT

as at 31 May 2021

Counterparty	Foreign Currency Hedges		
HSBC	Sell EUR 1,100,000 for GBP 950,399 - 26 July 2021	4,521	0.02
HSBC	Sell USD 314,452 for GBP 222,231 - 26 July 2021	430	0.00
Net value of all derivative positions		4,951	0.02
Portfolio of investments and derivative positions		23,184,127	97.83
Net other assets (excluding derivative positions)		513,894	2.17
Total net assets		23,698,021	100.00

Portfolio split by investment grade

Investments of investment grade		20,882,798	88.12
Investments below investment grade:		1,359,062	5.73
Unrated		937,316	3.96
Portfolio of stock investments		23,179,176	97.81
Net value of all derivative positions		4,951	0.02
Net other assets (excluding derivative positions)		513,894	2.17
Total net assets		23,698,021	100.00

MARLBOROUGH BOND INCOME FUND

STATEMENT OF TOTAL RETURN

for the year ended 31 May 2021

	Notes	31 May 2021		31 May 2020	
		£	£	£	£
Income:					
Net capital gains	4		659,320		189,060
Revenue	6	870,780		1,238,629	
Expenses	7	<u>(401,301)</u>		<u>(566,335)</u>	
Net revenue before taxation		469,479		672,294	
Taxation	8	<u>-</u>		<u>-</u>	
Net revenue after taxation			<u>469,479</u>		<u>672,294</u>
Total return before distributions			1,128,799		861,354
Distributions	9		(656,536)		(937,698)
Change in net assets attributable to unitholders from investment activities			<u>472,263</u>		<u>(76,344)</u>

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the year ended 31 May 2021

	31 May 2021		31 May 2020	
	£	£	£	£
Opening net assets attributable to unitholders		31,177,710		42,081,163
Amounts receivable on issue of units	4,976,613		3,210,454	
Amounts payable on cancellation of units	(12,928,955)		(14,037,573)	
Amounts payable on unit class conversions	<u>(2,570)</u>		<u>-</u>	
		(7,954,912)		(10,827,119)
Dilution adjustment		2,960		-
Change in net assets attributable to unitholders from investment activities		472,263		(76,344)
Unclaimed distributions		-		10
Closing net assets attributable to unitholders		<u>23,698,021</u>		<u>31,177,710</u>

MARLBOROUGH BOND INCOME FUND

BALANCE SHEET

as at 31 May 2021

	Notes	31 May 2021 £	31 May 2020 £
Assets:			
Fixed Assets:			
Investment assets	17	23,184,127	30,747,973
Current Assets:			
Debtors	10	413,576	570,804
Cash and bank balances		291,848	216,033
Total assets		<u>23,889,551</u>	<u>31,534,810</u>
Liabilities:			
Investment liabilities	17	-	14,477
Creditors:			
Bank overdrafts		-	82,523
Distribution payable		145,032	198,003
Other creditors	11	46,498	62,097
Total liabilities		<u>191,530</u>	<u>357,100</u>
Net assets attributable to unitholders		<u><u>23,698,021</u></u>	<u><u>31,177,710</u></u>

MARLBOROUGH BOND INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2021

1 ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in compliance with Financial Reporting Standard 102 (FRS102) and in accordance with the Statement of Recommended Practice for UK 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 Fund. Monetary amounts in these financial statements are rounded to the nearest pound.

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

There are no material events that have been identified that may cast significant doubt about the Fund'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 authorised fund manager believes that the Fund 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

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 unit classes, with the exception of the authorised fund manager's periodic charge, which is directly attributable to individual unit classes, is allocated to unit classes pro-rata to the value of the net assets of the relevant unit 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.

Valuation

The valuation point was 12:00 on 28 May 2021 being the last valuation point of the accounting year.

Listed investments are valued at fair value which is the bid price.

Unlisted, unapproved, illiquid or suspended securities are valued at the authorised fund manager's best estimate of the amount that would be received from the immediate transfer at arm's length in a manner designed to show fair value. This modelling takes into account, where appropriate, latest dealing prices, valuations from reliable sources, financial performance, maturity of the company and other relevant factors.

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

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 28 May 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 as the principal amounts.

MARLBOROUGH BOND INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2021

ACCOUNTING POLICIES

Dilution adjustment

The Fund is priced on a single price basis and may suffer a reduction in value as a result of the transaction costs incurred in the purchase and sale of its underlying investments and the spread between the buying and selling prices of such investments caused by subscriptions and redemptions in and out of the Fund. This is known as "dilution". Under certain circumstances dilution may have a material adverse effect on the existing/continuing unitholders' interest in the Fund. In order to counter this and to protect unitholders' interests, the authorised fund manager will apply "swing pricing" as part of its daily valuation policy. This will mean that in certain circumstances the Fund will make adjustments to counter the impact of dealing and other costs on occasions when these are deemed to be significant. Any dilution adjustment will be applied consistently and, in the usual course of business, automatically.

2 DISTRIBUTION POLICIES

The distribution policy of the Fund is to distribute 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.

As the investment objective of the Fund is to concentrate on the generation of revenue as a higher priority than capital growth, both the authorised fund manager and the trustee have agreed that 50% of the manager's periodic charge is to be taken from capital for the purpose of calculating the distribution, as permitted by the regulations.

Equalisation

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

3 RISK MANAGEMENT POLICIES

In pursuing its investment objective, the Fund holds a number of financial instruments. The Fund's financial instruments comprise securities held in accordance with the investment objectives and policies 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 Fund's financial instruments and the authorised fund manager's policies for managing these risks are summarised below. These policies have been applied throughout the year.

The Fund is managed according to 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) the authorised funds are required to comply with a number of investment rules that require the spreading of risk.

Market price risk

Market price risk is the risk that the value of the 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 Fund holds. It represents the potential loss the Fund might suffer through holding market positions in the face of price movements. The Fund's investment portfolio is exposed to market price fluctuations which are monitored by the authorised fund manager in pursuance of the investment objective and policy as set out in the Prospectus.

Investment limits set out in the Trust Deed, Prospectus and in the rules contained in the Collective Investment Schemes Sourcebook mitigate the risk of excessive exposure to any particular security or issuer.

Foreign currency risk

The income and capital value of the Fund's investments can be affected by foreign currency translation movements as some of the Fund's assets and income may be denominated in currencies other than sterling which is the Fund's functional currency. It is however a part of the Fund's strategy to hedge a substantial part of its foreign currency exposure back to sterling.

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

MARLBOROUGH BOND INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2021

RISK MANAGEMENT POLICIES

Derivatives

A proportion of the Fund is invested in bonds denominated in currencies other than Sterling. The Fund has the option when it is considered appropriate to hedge this foreign currency exposure by entering into forward foreign currency exchange contracts. This would reduce either the profits or losses which would otherwise arise on currency movements. In general the Fund does hedge a substantial part of its foreign currency exposure.

Credit and counterparty risk

Certain transactions in securities that the Fund enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Fund has fulfilled its responsibilities. The Fund only buys and sells investments through brokers which have been approved by the authorised fund manager as an acceptable counterparty.

The Fund invests in fixed interest bonds, which are generally viewed as lower-risk investments than equities. However the solvency of organisations with whom the Fund invests cannot be guaranteed, and any difficulty may adversely affect the Fund's performance. Although bonds have a fixed coupon or interest payment, the Fund will be buying and selling bonds on a regular basis, and so the overall level of income will fluctuate.

Lower graded bonds may have a higher risk of the issuer failing to meet its income or capital repayments when due.

Interest rate risk

Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates. The Fund's cash holdings are held in deposit accounts, whose rates are determined by the banks concerned on a daily basis.

The Fund invests in fixed and floating rate securities. The income of the Fund may be affected by changes to interest rates relevant to particular securities or as a result of the fund manager being unable to secure similar returns on the expiry of contracts or sale of securities. The value of fixed interest securities may be affected by interest rate movements or the expectation of such movements in the future.

Liquidity risk

The Fund's assets comprise mainly of readily realisable securities. The main liability of the Fund is the redemption of any units that investors wish to sell. Assets of the Fund may need to be sold if insufficient cash is available to finance such redemptions. The liquidity of the Fund's assets is regularly reviewed by the authorised fund manager.

4 NET CAPITAL GAINS

The net gains on investments during the year comprise:

	31 May 2021 £	31 May 2020 £
Non-derivative securities gains	543,002	220,651
Gains/(Losses) on forward foreign exchange contracts	96,369	(38,375)
Other currency gains/(losses)	21,219	8,618
Transaction charges	(1,270)	(1,834)
Net capital gains	659,320	189,060

5 PURCHASES, SALES AND TRANSACTION COSTS

(All purchases and sales are in debt securities)

	31 May 2021 £	31 May 2020 £
Purchases excluding transaction costs	3,421,863	5,905,264
Total purchase transaction costs	-	-
Purchases including transaction costs	3,421,863	5,905,264
Sales excluding transaction costs	11,308,957	13,773,158
Total sale transaction costs	-	-
Sales net of transaction costs	11,308,957	13,773,158
Transaction handling charges		
These are charges payable to the trustee in respect each transaction.	£1,270	£1,834

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. The average portfolio dealing spread at 31 May 2021 is 0.75% (2020: 0.78%).

MARLBOROUGH BOND INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2021

6 REVENUE

	31 May 2021 £	31 May 2020 £
Interest on debt securities	870,780	1,237,521
Bank interest	-	1,108
Total revenue	<u>870,780</u>	<u>1,238,629</u>

7 EXPENSES

	31 May 2021 £	31 May 2020 £
Payable to the authorised fund manager or associate:		
Authorised fund manager's periodic charge	374,090	530,809
Registration fees	3,630	3,876
	<u>377,720</u>	<u>534,685</u>
Other expenses:		
Trustee's fees	9,988	13,976
Safe custody fees	5,656	9,371
Interest	387	676
Financial Conduct Authority fee	170	124
Audit fee	7,380	7,503
	<u>23,581</u>	<u>31,650</u>
Total expenses	<u>401,301</u>	<u>566,335</u>

8 TAXATION

	31 May 2021 £	31 May 2020 £
a Analysis of the tax charge for the year		
UK Corporation tax at 20%	-	-
Total tax charge (see note 8(b))	<u>-</u>	<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 a unit trust (20%). The differences are explained below:

Net revenue before taxation	469,479	672,294
Corporation tax at 20% (2019: 20%)	<u>93,896</u>	<u>134,459</u>
Effects of:		
Interest distribution allowable for taxation	(131,307)	(187,540)
Unrelieved excess management expenses - managers periodic charge to capital	37,411	53,081
Total tax charge (see note 8(a))	<u>-</u>	<u>-</u>

At 31 May 2021 the Fund has deferred tax assets of £685,313 (2020: £647,902) arising from surplus management expenses, which have not been recognised due to uncertainty over the availability of future taxable profits.

9 DISTRIBUTIONS

	31 May 2021 £	31 May 2020 £
The distributions take account of revenue received on the issue of units and revenue deducted on the cancellation of units, and comprise:		
1st Interim	179,095	259,153
2nd Interim	166,806	226,488
3rd Interim	149,382	217,540
Final	145,032	198,003
Add: Revenue deducted on cancellation of units	33,280	46,072
Deduct: Revenue received on issue of units	(14,489)	(9,558)
Equalisation on conversions	(2,570)	-
Distributions	<u>656,536</u>	<u>937,698</u>
Net revenue after taxation	469,479	672,294
Add: Manager's periodic charge to capital	187,057	265,404
	<u>656,536</u>	<u>937,698</u>

MARLBOROUGH BOND INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2021

10 DEBTORS

	31 May 2021	31 May 2020
	£	£
Amounts receivable for issue of units	7,066	5,609
Accrued income	406,510	565,195
Total debtors	413,576	570,804

11 OTHER CREDITORS

	31 May 2021	31 May 2020
	£	£
Amounts payable for cancellation of units	8,814	12,735
Manager's periodic charge and registration fees	27,799	38,194
Accrued expenses	9,885	11,168
Total other creditors	46,498	62,097

12 CONTINGENT ASSETS AND LIABILITIES

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

13 RELATED PARTIES

The authorised fund manager is involved in all transactions in the units of the Fund, the aggregate values of which are set out in the statement of change in net assets attributable to unitholders and note 9. Amounts due to/from the authorised fund manager in respect of unit transactions at the year end are disclosed in notes 10 and 11. Amounts paid to the authorised fund manager in respect of the manager's periodic charge and registration fees are disclosed in note 7. Amounts due to the authorised fund manager at the year end are £29,547 (2020: £45,320).

In addition to the above, some units 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:

Proportion of units owned by directors of Marlborough Fund Managers Ltd or UFC Fund Management plc	0.06%	0.05%
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Distributions were payable on the above holdings at the rates applicable to other unitholders.

14 UNIT CLASSES

The unit classes in issue for the Fund and the annual management charge for each unit class is as follows:

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

15 UNITHOLDERS' FUNDS RECONCILIATION

During the year the authorised fund manager has issued and cancelled units as set out below:

	A Income	B Income	P Income
Opening units in issue at 1 June 2020	54,395,413	1,000	7,328,880
Unit issues	8,361,927	-	1,198,836
Unit cancellations	(18,084,187)	-	(6,768,281)
Unit conversions	(7,904,041)	-	7,673,609
Closing units in issue at 31 May 2021	36,769,112	1,000	9,433,044

MARLBOROUGH BOND INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2021

16 RISK DISCLOSURES

Market price risk sensitivity

A five per cent increase in the market prices of the Fund's portfolio would have the effect of increasing the return and net assets by £1,158,959 (2020: £1,537,399). 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 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 May 2021:

	Investments £	Net current assets £	Total £
Euro	51,153	25,480	76,633
US dollar	3,042	2,712	5,754
	<u>54,195</u>	<u>28,192</u>	<u>82,387</u>

Foreign currency exposure at 31 May 2020:

	Investments £	Net current assets £	Total £
Euro	147,815	26,751	174,566
US dollar	91,724	12,155	103,879
	<u>239,539</u>	<u>38,906</u>	<u>278,445</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 £4,119 (2020: £13,922). A five per cent increase would have an equal and opposite effect.

Derivatives risk

The underlying exposure to forward currency contracts at 31 May 2021 was a net unrealised gain/(loss) of £4,951 (2020: (£14,477)).

Interest rate risk

The interest rate risk profile of financial assets and liabilities for the year ended 31 May 2021 consists of the following:

Financial assets with fixed interest rates:	31 May 2021 £	31 May 2020 £
Financial assets fixed interest rate:		
Sterling	21,042,284	27,978,213
Euro	997,031	1,231,571
US dollar	96,148	506,504
	<u>22,135,463</u>	<u>29,716,288</u>
Financial assets floating rate:		
Sterling	1,002,481	904,111
US dollar	128,695	153,169
	<u>1,131,176</u>	<u>1,057,280</u>
Financial assets non-interest bearing instruments:		
Sterling	594,720	722,336
Euro	25,480	26,751
US dollar	2,712	12,155
	<u>622,912</u>	<u>761,242</u>
Financial liabilities floating rate:		
Sterling	-	(82,523)
	<u>-</u>	<u>(82,523)</u>
Financial liabilities non-interest bearing instruments:		
Sterling	(191,530)	(274,577)
	<u>23,698,021</u>	<u>31,177,710</u>

Interest rate risk sensitivity

Changes in interest rates or changes in expectations of future interest rates may result in an increase or decrease in the market value of the investments held. A half of one per cent increase in interest rates would have the effect of decreasing the return and net assets by £831,920 (2020: £876,875). A half of one per cent decrease would have an equal and opposite effect.

MARLBOROUGH BOND INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2021

RISK DISCLOSURES

Debt security credit analysis

Portfolio split by investment grade

	31 May 2021	31 May 2020
	Bid value (£)	
Investments of investment grade	20,882,798	29,018,711
Investments below investment grade:	1,359,062	1,027,221
Unrated	937,316	702,041
Total of debt securities	<u>23,179,176</u>	<u>30,747,973</u>

Liquidity risk

The following table provides a maturity analysis of the Fund's financial liabilities:

		31 May 2021	31 May 2020
		£	£
Within one year:			
Derivatives	Investment liabilities	-	14,477
Non-derivatives	Bank overdrafts	-	82,523
	Distribution payable	145,032	198,003
	Other creditors	46,498	62,097
		<u>191,530</u>	<u>357,100</u>

17 FAIR VALUE HIERARCHY FOR INVESTMENTS

Basis of valuation	31 May 2021		31 May 2020	
	Assets (£)	Liabilities (£)	Assets (£)	Liabilities (£)
Level 1 - Quoted prices	-	-	-	-
Level 2 - Observable market data	23,184,127	-	30,747,973	14,477
Level 3 - Unobservable data	-	-	-	-
	<u>23,184,127</u>	<u>-</u>	<u>30,747,973</u>	<u>14,477</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.

18 POST BALANCE SHEET EVENTS

Since 31 May 2021, the Net Asset Value per unit has changed as follows:

	Net Asset Value per unit (pence)		
	31 May 2021 *	21 July 2021	Movement (%)
A Income	51.44	52.17	1.42%
B Income	53.07	53.84	1.45%
P Income	53.14	53.91	1.45%

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

MARLBOROUGH BOND INCOME FUND

DISTRIBUTION TABLE

First quarter distribution for the period from 1 June 2020 to 31 August 2020

Group 1: units purchased prior to 1 June 2020

Group 2: units purchased on or after 1 June 2020

		Gross revenue 31 August 2020 pence per unit	Equalisation 31 August 2020 pence per unit	Distribution paid 31 October 2020 pence per unit	Distribution paid 31 October 2019 pence per unit
A Income	Group 1	0.303292	-	0.303292	0.300149
	Group 2	0.158757	0.144535	0.303292	0.300149
B Income	Group 1	0.390000	-	0.390000	0.194000
	Group 2	0.390000	-	0.390000	0.194000
P Income	Group 1	0.362801	-	0.362801	0.357597
	Group 2	0.192928	0.169873	0.362801	0.357597

Second quarter distribution for the period from 1 September 2020 to 30 November 2020

Group 1: units purchased prior to 1 September 2020

Group 2: units purchased on or after 1 September 2020

		Gross revenue 30 November 2020 pence per unit	Equalisation 30 November 2020 pence per unit	Distribution paid 31 January 2021 pence per unit	Distribution paid 31 January 2020 pence per unit
A Income	Group 1	0.296863	-	0.296863	0.300048
	Group 2	0.123170	0.173693	0.296863	0.300048
B Income	Group 1	0.383000	-	0.383000	0.415000
	Group 2	0.383000	-	0.383000	0.415000
P Income	Group 1	0.356194	-	0.356194	0.357190
	Group 2	0.076078	0.280116	0.356194	0.357190

Third quarter distribution for the period from 1 December 2020 to 28 February 2021

Group 1: units purchased prior to 1 December 2020

Group 2: units purchased on or after 1 December 2020

		Gross revenue 28 February 2021 pence per unit	Equalisation 28 February 2021 pence per unit	Distribution paid 30 April 2021 pence per unit	Distribution paid 30 April 2020 pence per unit
A Income	Group 1	0.286509	-	0.286509	0.296454
	Group 2	0.137016	0.149493	0.286509	0.296454
B Income	Group 1	0.390000	-	0.390000	0.395000
	Group 2	0.390000	-	0.390000	0.395000
P Income	Group 1	0.345586	-	0.345586	0.354128
	Group 2	0.126154	0.219432	0.345586	0.354128

MARLBOROUGH BOND INCOME FUND

DISTRIBUTION TABLE

Final distribution for the period from 1 March 2021 to 31 May 2021

Group 1: units purchased prior to 1 March 2021

Group 2: units purchased on or after 1 March 2021

		Gross revenue 31 May 2021 pence per unit	Equalisation 31 May 2021 pence per unit	Distribution paid 31 July 2021 pence per unit	Distribution paid 31 July 2020 pence per unit
A Income	Group 1	0.301684	-	0.301684	0.313984
	Group 2	0.130888	0.170796	0.301684	0.313984
B Income	Group 1	0.401000	-	0.401000	0.404000
	Group 2	0.401000	-	0.401000	0.404000
P Income	Group 1	0.361508	-	0.361508	0.371209
	Group 2	0.229465	0.132043	0.361508	0.371209

Marlborough

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