



MFM Techinvest Special Situations Fund

Short Report

For the period from 1st May 2013 to 30th April 2014

Fund Details

MFM Techinvest Special Situations Fund

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

Authorised and regulated by the Financial Conduct Authority

Depositary

HSBC Bank plc
8 Canada Square
London E14 5HQ

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

Investment Adviser

Techinvest Ltd
Merchants House
27/30 Merchants Quay
Dublin 8
Republic of Ireland

Authorised and regulated by the Central Bank of Ireland

Auditors

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

GENERAL INFORMATION

Investment Objectives

The investment objective is to provide long term capital growth and the accumulation of income through an actively managed portfolio of equities whose future prospects do not appear to be fully reflected yet in the current stockmarket price. The focus will be on smaller UK companies, although opportunities outside the UK may also be included, where appropriate. Particular attention will be paid to new emerging growth stocks and to recovery situations where change in a company's underlying dynamics or direction can be expected to lead to an improvement in its reported results. There may be occasions when the investment manager, in order to ensure liquidity or stability, chooses to hold bonds, government securities, collective investment schemes or a high level of cash or money market instruments.

Risk Profile

The Fund has little exposure to credit risk or cash flow risk. There are no borrowings or unlisted securities of a material nature and so there is little exposure to liquidity risk. The main risks it faces from its financial instruments is market price, foreign currency and interest rate. The ACD reviews the policies for managing these risks in order to follow and achieve the Investment Objective as summarised above.

Reports and Accounts

The purpose of sending this Short Report is to present you with a summary of how the Fund has performed during the accounting period in accordance with the FCA rules. If you wish to request further information, the more detailed long form report is available. For a copy please write to Marlborough Fund Managers Ltd, Marlborough House, 59 Chorley New Road, Bolton BL1 4QP or telephone customer services on 0808 145 2500.

Risk Warning

The past is not necessarily a guide to future performance. Investments and the income derived from them can fall as well as rise and the investor may not get back the amount originally invested. The Fund is subject to an initial charge and subsequently charges are not made uniformly throughout the period of the investment. The Fund invests in smaller companies which carry a higher degree of risk than larger companies. The shares of smaller companies may be less liquid and their performance more volatile over shorter time periods. The Fund invests mainly in the UK. Therefore it may be more vulnerable to market sentiment in that country.

Change in Prospectus

No changes have been made since the last report

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

AUTHORISED INVESTMENT ADVISER'S REPORT

For the year ended 30 April 2014

Percentage change and sector position to 30 April 2014

	<u>Six months</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>	<u>Since launch**</u>
MFM Techinvest Special Situations Fund	9.76%	38.33%	53.55%	98.94%	10.37%
Quartile Ranking*	2	1	3	4	4

*Based on ranking within IMA UK Smaller Companies Sector. External Source of Economic Data: Morningstar

** Launched 14.06.2005 (performance calculated from first pricing point 05.07.05)

The Fund performed very strongly over the year to April 30. The share price increased 38.33% over the period. In our previous Annual Report we commented on signs of increased investor appetite for equities and that we expected this trend to continue, spurred on by an improving economic environment. As we anticipated, the year to April 30 was characterised by increased capital flows into equities as investor confidence recovered.

London's main index, the FTSE 100, rose 5.44% over the year. The broader-based FTSE All-Share climbed 6.77%. The Fund is smaller company focused and a constituent of the IMA UK Smaller Companies Sector. During the year, smaller company shares generally performed much better than their larger counterparts and this was reflected in the 16.71% gain for the FTSE Small Cap index. Most of the Fund's holdings are on London's junior exchange, AIM, and the FTSE AIM All-Share achieved a rise of 16.25%. However, the Fund's 38.33% return comfortably outpaced all of these indices.

Since the Fund's inception on 5 July 2005, the Fund's share price rose 10.37%. Over the same period the FTSE AIM Share posted a decline of 18.08%. This compares with a rise of 30.63% for the FTSE 100, gains of 39.52% and 52.20% for the FTSE All-Share and FTSE SmallCap respectively.

As we've explained in our previous reports, the Fund's managers are focused on the longer-term performance of the Fund. Therefore, it is satisfying to note that over the three-year period ended 30 April 2014, the Fund's share price rose 53.55%. This compares with a gain of 11.70% for the FTSE 100. Over the same period, the FTSE All-Share and FTSE SmallCap achieved increases of 14.73% and 35.01% respectively and the FTSE AIM All-Share fell 10.70%.

We commented in the last Interim Report (dated 1 December 2013) that despite experiencing a bull run in share prices that began in early 2009, equity valuations were not excessive by historical standards. After a prolonged phase of price appreciation, a period of consolidation is quite healthy and can provide a useful base for the next leg up of the market.

We also suggested in the Interim Report that any sell off in equities was likely to be short lived and could present opportunities for investors with a long-term time horizon. Some selling did occur during the first quarter of calendar 2014 and the FTSE 100 declined 2.2% over that period. However, over the following month, the index climbed 2.8%, aided by reassuring economic data in the UK.

Economic factors have proven to be the long term drivers of stock markets and on that score the domestic outlook continues to improve. The CBI's growth survey for May gave the strongest reading since it began collecting data in 2003. In the Eurozone, the indicators are more mixed and the spectre of deflation is a genuine concern. However, the ECB has recently embarked on plans to force banks to lend to small and medium-sized businesses and a fully fledged quantitative easing (QE) programme is not being ruled out. If a QE programme is implemented, it is likely to be positive for equities.

AUTHORISED INVESTMENT ADVISER'S REPORT (CONTINUED)

At April 30, the ten largest holdings in alphabetical order were Accumuli (one of our favourites in the cybersecurity space), Bank of Ireland (the shares have benefitted from an improved business environment in Ireland. The Fund sold some of its holding during the year, locking in some profit), Datalex, French Connection (the clothing retailer's shares rose more than 190% over the year, helped by improved like-for-like sales in the UK and Europe), Fulcrum Utility Services, IndigoVision (interim results from the digital IP camera specialist highlighted a return to strong growth), Mincon, NetDimensions, Styles & Wood (the property services business is benefitting from a recovery in the office and retail fit-out sector) and Utilitywise.

One recent addition to the Fund was Dalata Hotel Group. The Company operates a portfolio of more than 40 hotels, mostly in Ireland, including the Maldron chain of 13 venues. The shares joined London's AIM and the ESM in Dublin after raising €265m via a share placing, the proceeds of which will be used to acquire additional hotels.

Northbridge Industrial Services was another recent purchase. It provides specialist industrial equipment for sale or hire to customers in the utilities, construction, oil and gas, shipping and public sectors around the world. Following a healthy 2013, which saw the Company achieve 22% year-on-year revenue growth, the current year has got off to a strong start. Production at the main facility in Burton-on-Trent has been ramped up to meet demand and recently acquired businesses are performing well. The management are eyeing further acquisition targets.

In conclusion, it is clear that the domestic economy is improving. As a result, we expect to see corporates become more optimistic and gradually ramp up capital spending. Businesses with strong balance sheets should start to divert funds away from the paltry returns currently offered by cash and bonds and begin investing for future growth.

Interest rates on cash deposits look likely to remain at historically low levels for some time to come. In this environment, investors are inclined to turn to equity markets for higher returns, especially if confidence amongst businesses and consumers continues to improve. This all adds up to an excellent scenario in that a long period of consistent, moderate growth has frequently proved the most conducive background for a sustained appreciation in share prices.

The Fund is valued once a week at 12:00pm each Wednesday. The latest price is normally posted by 5:30pm that day on the Techinvest home-page at www.techinvest.ie. It can also be found in the Financial Times each day and at www.marlboroughfunds.com.

A fact-sheet is updated each month with the latest data on the Fund and can be found on the Techinvest website, as can a sample copy of a recent issue of the monthly Techinvest newsletter.

Distributions	Year 2014	Year 2013	Year 2012	Year 2011
<u>Class A</u>				
Net income paid June	0.0000pps	0.2962pps	0.0755pps	0.0770pps
Net income paid December		0.0970pps	0.3929pps	0.3179pps
<u>Class B</u>				
Net income paid June	0.0000pps	0.4100pps		
Net income paid December		0.1900pps		
<u>Class P</u>				
Net income paid June	0.0000pps	0.5500pps		
Net income paid December		0.4500pps		

Techinvest Ltd
7 June 2014

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MFM TECHINVEST SPECIAL SITUATIONS FUND

Portfolio Changes

For the year ended 30 April 2014

Major Purchases	Cost (£)	Major Sales	Proceeds (£)
Mincon Group	183,487	Arrow Global	132,931
IndigoVision Group	149,289	Pure Water	116,680
Arrow Global	138,543	Blinkx	86,087
Convivality Retail	112,366	Tangent Communications	80,756
Dalata Hotel Group	109,884	Game Account Network	76,845
Proxama	104,330	Lombard Risk Management	59,819
Blinkx	103,260	Mincon Group	59,475
Game Account Network	101,607	Renew Holdings	56,604
Renovo Group	100,919	Avanti Communications Group	52,540
Accumuli	97,232	Real Good Food Company	52,069
Northbridge Industrial Services	93,497	Ashley House	48,272
IS Solutions	93,180	Parity Group	43,134
French Connection Group	90,709	Bango	42,202
Digital Barriers	89,713	Bank of Ireland	41,721
Access Intelligence	88,832	Mothercare	41,276
Supergroup	83,415	Fairpoint Group	40,697
Netdimensions Holdings	78,748	Altitude Group	40,382
Miton Group	76,282	The Local Shopping REIT	37,760
Pure Water	72,818	French Connection Group	37,137
Fulcrum Utility Services	70,742	Next Fifteen Communications Group	35,927
Crawshaw Group	66,531		
Martinco	64,798		
Venn Life Sciences Holdings	61,298		
MCB Financial Group	60,734		
Restore	54,834		
Park Group	51,409		
Nasstar	50,000		
Fairpoint Group	47,456		
Utilitywise	47,175		
Other purchases	343,359	Other sales	354,766
Total purchases for the year	2,886,447	Total sales for the year	1,537,080

TOP TEN HOLDINGS AS AT 30 APRIL 2014

	%
Accumuli	3.97
IndigoVision Group	3.93
Netdimensions Holdings	3.84
French Connection Group	3.82
Utilitywise	3.52
Styles & Wood Group	3.28
Datalex	3.15
Mincon Group	3.08
Bank of Ireland	3.05
Fulcrum Utility Services	2.87

TOP TEN HOLDINGS AS AT 30 APRIL 2013

	%
Bank of Ireland	5.02
Silverdell	4.08
Fairpoint Group	4.06
Datalex	3.96
Costain Group	3.87
Brown (N) Group	3.56
Renew Holdings	3.31
Park Group	3.23
Avanti Communications Group	2.86
MCB Finance Group	2.78

MFM TECHINVEST SPECIAL SITUATIONS FUND

FUND FACTS

Launched Accumulation Shares 14 June 2005 at 100p
On 31 December 2012 the shares were reclassified as Class A. Class B and Class P shares became available for purchase on 31 December 2012.

Accounting Dates	(Final)	30 April
	(Interim)	31 October

Distribution Dates	(Final)	30 June
	(Interim)	31 December

Minimum Investment	Class A	£1,000
	Class B	£50,000
	Class P	£1,000,000

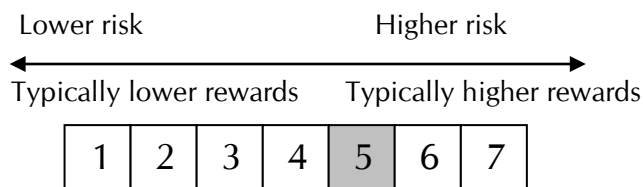
IMA Sector UK Smaller Companies

Ongoing Charge Figure as at 30 April 2014	Class A 1.81%, Class B 1.31%, Class P 1.06%
Ongoing Charge Figure as at 30 April 2013	Class A 1.85%, Class B 1.36%*, Class P 1.11%*
* period 9 January 2013 to 30 April 2013	

The ongoing charge figure is based on expenses for the year, except as indicated above. The ongoing charge figure has been annualised to give a more accurate representation of the true cost over one year. This figure may vary from year to year. It excludes:

- Performance fees
- Portfolio transaction costs, except in the case of an entry/exit charge paid by the Fund when buying or selling units in another collective investment scheme.

SYNTHETIC RISK AND REWARD INDICATOR



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

This Fund has been measured as 5 because it has experienced significant volatility historically.

MFM TECHINVEST SPECIAL SITUATIONS FUND

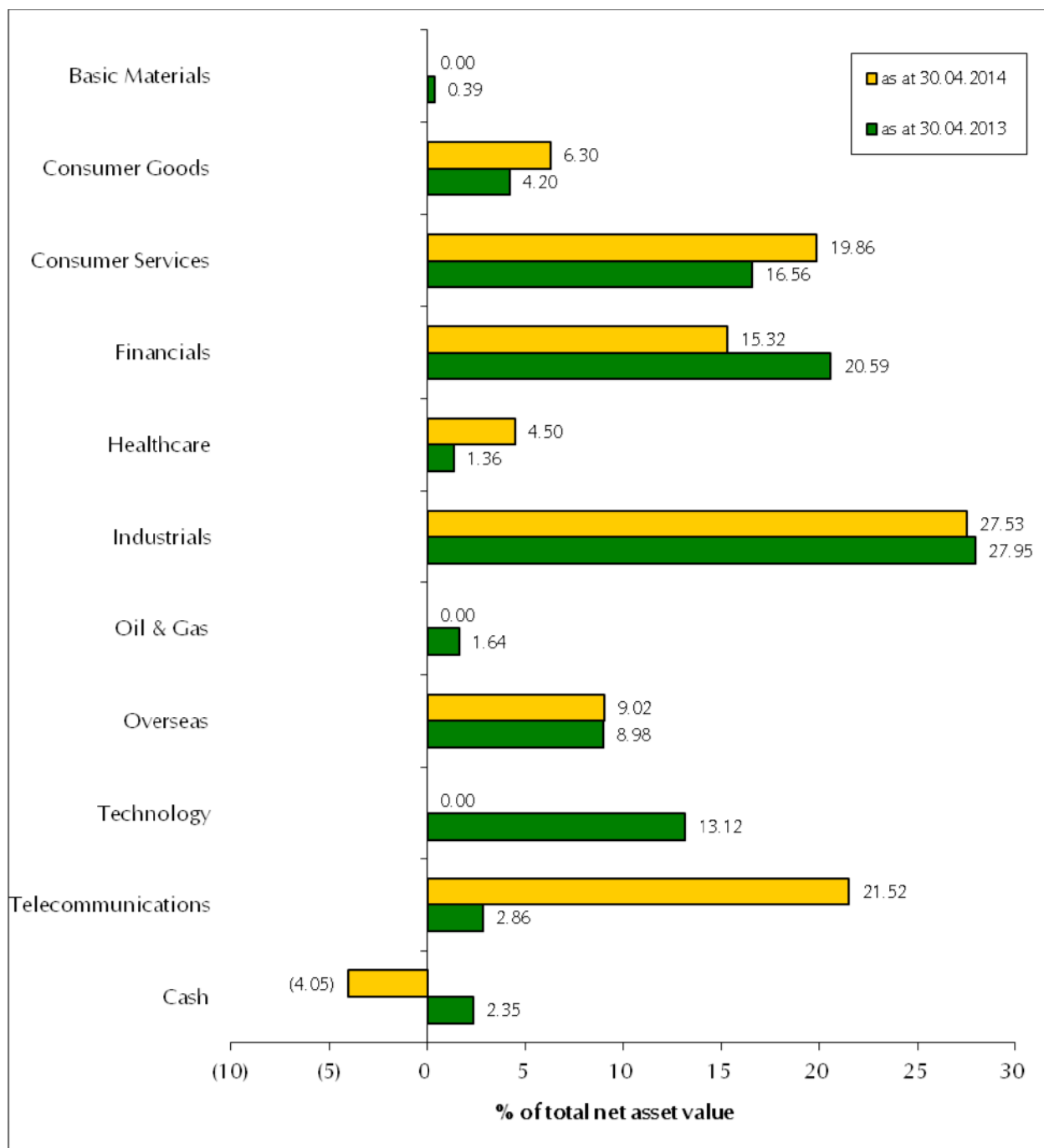
SUMMARY OF FUND PERFORMANCE

Year	Highest Price	Lowest Price	Distribution Per Share
<u>Class A</u>			
2009	69.11p	46.45p	-
2010	67.24p	58.46p	0.2385p
2011	74.90p	62.49p	0.3949p
2012	77.57p	64.20p	0.4684p
2013	103.68p	77.98p	0.4684p
2014*	117.03p	106.94p	-
<u>Class B</u>			
2013	103.73p	77.96p	0.6000p
2014*	117.25p	107.06p	-
<u>Class P</u>			
2013	104.23p	78.20p	1.0000p
2014*	117.85p	107.61p	-

*up to 30 April 2014

	Net asset value of scheme property	Number of accumulation shares in issue	Net asset value per accumulation Share
at 30 April 2012	£1,983,949	2,840,114	69.85p
at 30 April 2013 Class A	£2,129,557	2,728,007	78.06p
at 30 April 2013 Class B	£78	100	78.02p
at 30 April 2013 Class P	£78	100	78.16p
at 30 April 2014 Class A	£4,190,762	3,835,945	109.25p
at 30 April 2014 Class B	£110	100	109.58p
at 30 April 2014 Class P	£110	100	110.12p

PORTFOLIO BREAKDOWN



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

Customer

Support: 0808 145 2500

Intermediary

Support: 0808 145 2502

Dealing: 0808 145 2501

Fax: 01204 533045

Email: enquiries@marlboroughfunds.com

Website: www.marlboroughfunds.com

Marlborough Fund Managers Limited
Registered in England No. 2061177
Authorised and regulated by the Financial Conduct
Authority and a member of IMA