



MFM Techinvest Special Situations Fund

Short Report

For the period from 1st May 2011 to 30th April 2012

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 Services Authority

Depositary

HSBC Bank plc
8 Canada Square
London E14 5HQ

Authorised and regulated by the Financial Services 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 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 are market price, foreign currency and interest rate risk. 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 FSA 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.

MFM TECHINVEST SPECIAL SITUATIONS FUND

AUTHORISED INVESTMENT ADVISER'S REPORT

For the year ended 30 April 2012

Percentage change and sector position to 30 April 2012

	<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	9.42%	-0.45%	28.98%	-43.06%	-28.44%
Quartile Ranking*	3	3	4	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 year to April 30 was a very tough one for equities. Over this period both the FTSE 100 and FTSE All-Share fell 5.47% and 5.40% respectively. The FTSE SmallCap declined by 5.78%, while the AIM All-Share (which tracks shares listed on AIM, London's junior exchange) fared worse and tumbled 15.66%. By comparison, the Fund's share price performed relatively well, posting a decline of 0.45% to end the year at 71.56p.

The Fund had a strong second half of the year with the share price increasing 9.42%, comfortably outperforming both the FTSE 100, which climbed 3.49%, and the FTSE All-Share, which recorded a 4.33% increase. The Fund is small company focused and listed in the IMA UK Smaller Companies sector. Smaller London-listed companies generally fared better than their larger peers and the FTSE SmallCap Index achieved a rise of 9.17%, just behind the Fund. The majority of the Fund's holdings are listed on AIM and the Fund's share price also beat the FTSE AIM All-Share over the period, despite that index climbing 6.84%.

Since inception on 5 July 2005, the Fund's share price is down 28.44%. This compares with a fall of 22.63% for the AIM All-Share and an increase of 6.22% for the FTSE SmallCap. Over the same period the FTSE 100 and FTSE All-Share achieved gains of 10.55% and 15.04% respectively.

Therefore, despite the satisfactory near term performance, we are mindful that the longer term picture is disappointing. However, there has been some recent improvement – we note our report for the prior year to 30 April 2011, showed the Fund's share price since inception lagging the FTSE SmallCap by 41 percentage points. By the end of last year that gap had narrowed to 35 points. Against the AIM All-Share the Fund was trailing by 20 percentage points at 30 April 2011. A year later that gap had narrowed to less than six percentage points.

In our last report, for the six months ended 31 October 2011, we referred to the "flight to safety" taken by investors as extreme nervousness took hold. This phenomenon is clearly in evidence in equity markets as macro concerns (especially surrounding eurozone debt) continue to dominate sentiment. In addition, recent economic data from major economies continues to point to a sluggish recovery at best.

However, the Fund's managers tend to be indifferent to short-term market sentiment, preferring to look beyond the gloomy macro headlines to seek individual companies that can offer substantial returns over a longer-term time horizon. This process has revealed many niche businesses capable of prospering in a low growth environment and many of these are held by the Fund - BrainJuicer, Costain, Fairpoint, Greencore, NetDimensions, Renew Holdings, Silverdell, Smiths News and Tangent Communications are just a few examples all recently reporting very healthy trading.

Current markets are extremely risk averse which, in our opinion, makes equities a happy hunting ground for investors with a longer-term view. The share prices of many steadily performing cash-rich businesses have been driven down to very attractive levels. Some of these also pay substantial dividends to shareholders from their profits. It is instructive to compare this with conditions in the sovereign bond market – we note the German government raised 4.6 billion Euros via an auction in May, issuing two year bonds at a zero percent coupon, thereby offering investors no regular return and providing what is effectively "free money" for the largest economy in the eurozone.

AUTHORISED INVESTMENT ADVISER'S REPORT (CONTINUED)

Also on the subject of stocks' extremely low valuation relative to bonds, respected Wharton School finance professor Jeremy Siegel recently told CNBC in the US "This is the first time in 60 years that dividend yields on the market exceed long-term interest rates". In addition, the cooling global economy has pushed oil prices lower which actually helps companies. "Slow growth, no recession, earnings flat but dividends well covered – I think it's still a very, very good story for stocks" Siegel added.

The Fund ended the year almost fully invested with a cash content of 2.8%, in line with the average cash content throughout the period.

The ten largest holdings, in alphabetical order, at April 30 were BrainJuicer, Cable & Wireless Worldwide (currently the subject of a takeover approach from Vodafone), Cupid, Datalex, Fairpoint (now the Fund's second largest position following the sale of a quarter of the holding on May 23), Fulcrum Utility Services, Real Good Food, Renew Holdings (the infrastructure engineer and Fund's eighth largest holding recently reported a jump in margins and operating profit), Silverdell and Styles & Wood.

Like Renew Holdings, Costain is another engineering and infrastructure specialist reporting strong trading. The Company points to a healthy order book, a burgeoning balance sheet and is committed to achieving a doubling of profits "over the medium term". The Fund recently added to its position in Costain.

Since the year end, travel booking platform Datalex has become the Fund's largest holding, following a 550% rise in its share price since mid 2010. The Dublin-based Company announced a significant jump in transaction revenue for the first four months of 2012.

In conclusion, the eurozone crisis is likely to be a major factor determining the near-term direction of stock markets. However, with returns from other asset classes, such as cash and bonds, currently so paltry, there is clear justification for a switch into carefully selected equities by investors with a longer-term view.

The fund is valued once a week at 12.00 p.m. 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.marlbroughfunds.com.

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

Distributions	Year 2012	Year 2011	Year 2010	Year 2009
Net income paid June	0.0755pps	0.0770pps	0.0448pps	-
Net income paid December		0.3179pps	0.1937pps	-

Techinvest Ltd – Investment Manager
5 June 2012

MFM TECHINVEST SPECIAL SITUATIONS FUND

Material Portfolio Changes

For the year ended 30 April 2012

Major Purchases	Cost (£)	Major Sales	Proceeds (£)
Cable & Wireless Worldwide	66,832	Dawson Holdings	203,803
Silverdell	56,438	Real Good Food	56,356
SuperGroup	41,731	Ideal Shopping Direct	55,000
Bank of Ireland	37,752	Clearstream Technologies	51,000
Top Level Domain Holdings	33,452	Jacques Vert	42,000
Park Group	32,477	Avon Rubber	41,275
Styles & Wood Group	30,856	Public Services Properties	39,551
Smiths News	29,604	Prologic	31,025
CAP-XX	27,972	SuperGroup	28,762
Imaginatik	25,000	Best of the Best	28,334
MCB Financial Group	24,596	Microgen	28,210
Dawson Holdings	24,559	Parkwood Holdings	26,918
Norcon	23,445	AI Claims Solutions	23,527
Fulcrum Utility Services	23,436	Timeweave	20,433
Clearstream Technologies	23,401	CBG Group	12,800
Greencore Group	18,539	Alexon Group	10,378
Best of the Best	16,784	Spark Ventures	4,000
Tangent Communications	12,916	Datalex	3,420
Costain Group	12,569		
ANT	10,328		
Other purchases	26,988		
Total purchases for the year	599,675	Total sales for the year	706,792

TOP TEN HOLDINGS AS AT 30 APRIL 2012

	%
Fairpoint Group	4.76
Datalex	4.14
Styles & Wood Group	3.74
Real Good Food Company	3.51
Brainjuicer	3.02
Fulcrum Utility Services	2.84
Silverdell	2.83
Renew Holdings	2.76
Cable & Wireless	2.68
Cupid	2.52

TOP TEN HOLDINGS AS AT 30 APRIL 2011

	%
Real Good Food Company	5.78
Fairpoint Group	5.17
Avon Rubber	3.37
AI Claims Solutions	3.34
Avanti Communications	3.29
Motivcom	3.25
Dawson Holdings	3.20
Microgen	2.76
Styles & Wood Group	2.75
Public Service Properties Investments	2.52

MFM TECHINVEST SPECIAL SITUATIONS FUND

FUND FACTS

Launched Accumulation Shares 14 June 2005 at 100p

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

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

Minimum Investment £1,000

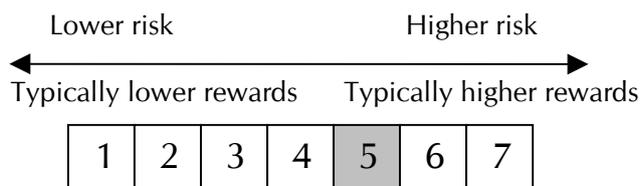
IMA Sector UK Smaller Companies

Ongoing Charges as at 30 April 2012 1.85%

The ongoing charge figure is based on expenses for the year ending 30 April 2012. 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
2007	129.73p	95.30p	-
2008	97.29p	51.08p	-
2009	69.11p	46.45p	-
2010	67.24p	58.46p	0.2385p
2011	74.90p	62.49p	0.3949p
2012*	72.60p	64.20p	0.0755p

*up to 30 April 2012

	Net asset value of scheme property	Net asset value per accumulation share
30 April 2010	£1,977,149	61.94p
30 April 2011	£2,181,477	71.04p
30 April 2012	£1,983,949	69.85p

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