



MFM Techinvest Special Situations Fund

Short Report

For the period from 1st May 2012 to 31st October 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 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 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.

AUTHORISED INVESTMENT ADVISER'S REPORT

For the six month period ended 31 October 2012

Percentage change and sector position to 31 October 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	8.57%	18.79%	14.07%	-29.44%	-22.31%
Quartile Ranking*	1	2	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)

For the half year ended October 31, the Fund's share price increased 8.57%, significantly outperforming the FTSE 100, the main market index, which rose 0.78%. The Fund also beat the broader-based FTSE All-Share Index, which posted a 1.33% gain over the same period.

The Fund is small company focused and is a constituent of the IMA UK Smaller Companies sector. Smaller companies fared better than their larger counterparts over the period. Nevertheless, the 4.41% gain achieved by the smaller companies' index, FTSE Small Cap, was comfortably eclipsed by the Fund. The majority of the Fund's holdings are listed on London's junior exchange, AIM. Against this market, the Fund's outperformance was even more significant – the FTSE AIM All-Share declined 10.19%.

Contrary to the turbulence which characterised stock markets over much of the period since the 2008 banking crisis, share prices were relatively calm during the summer and autumn months of this year, with trading volumes declining to extremely low levels. Poor macroeconomic headlines continued to dominate. Despite this, equities held up fairly well, prompting suggestions that the worst may be over for stock markets.

On an annual basis, the Fund recorded an increase of 18.79%. This compares with the 4.3% achieved by the FTSE 100 and the 5.72% gain in the FTSE All-Share. Over the same period, FTSE AIM All-Share declined by 4.05%. The Fund also beat the FTSE Small Cap index, which climbed 13.98%.

Since inception on 5 July 2005, the Fund's share price is down 22.31%. This compares with a fall of 30.52% by the FTSE AIM All-Share and a gain of 10.90% posted by the FTSE Small Cap. Over the same period the FTSE 100 and FTSE All-Share recorded gains of 11.42% and 16.58% respectively.

Despite the pleasing near-term performance, we are mindful of the disappointing longer-term picture. We remain committed to improving this and note that, in line with observations in the last two reports, the Fund's relative performance since inception continues to improve. For instance, in the last fund report (for the year ended 30 April 2012), we noted that Fund ended that period 35 percentage points behind the FTSE Small Cap since inception. Over the following six months that gap closed to 33 percentage points. Against the FTSE AIM All-Share, the Fund was lagging this index by six percentage points at 30 April 2012. Six months later this had turned around and the Fund was ahead since inception by eight percentage points.

During the current period, macroeconomic anxieties continue to dominate the headlines. The eurozone crisis rumbles on, worries surrounding a slowdown in China continue and, in the US, the "fiscal cliff" is the latest excuse for market commentators to prophesise catastrophe. All of these concerns (while serious) are very well-publicised, lending weight to the argument that much bad news is priced into equity valuations already. If that is the case, there could be plenty of upside for stock markets if downbeat predictions are proved false.

We believe that changes in the macro environment can show up in company results and share prices long before they are revealed in published economic data. Therefore, rather than taking an overly defensive stance in the aftermath of the banking crisis, we positioned the portfolio for gradual economic recovery.

AUTHORISED INVESTMENT ADVISER'S REPORT (CONTINUED)

Recent news from the US points to rallying consumer confidence and a modest revival in the all-important housing sector. On this side of the water, there are tentative signs of improvement too – a GfK NOP poll of UK consumer confidence recorded a better than expected result for November. This follows news that the UK economy grew 1% during the third quarter, helped by increased consumer spending. However, the Chancellor's budget statement on December 5 has the potential to dampen the mood a little in the near-term.

The Fund ended the half year with 6.3% of the portfolio in cash. This is slightly higher than in prior periods and mainly the result of prudent profit taking in some of the stronger performers. The Fund is now well-placed to take advantage of compelling valuations and we remain watchful for opportunities.

The Fund's ten largest holdings, in alphabetical order, at October 31 were Costain, Datalex (the Dublin-based provider of travel ecommerce software is the Fund's largest holding), Fairpoint (the Fund's third largest), Greencore, NetDimensions (during the half, shares in the learning management software specialist responded well to news on international contracts), Real Good Food, Renew Holdings, Silverdell, Styles & Wood and Tangent Communications (the share price more than doubled during the half, following which we sold part of the position. It remains the Fund's second largest).

One recent acquisition for the Fund was Mothercare, the specialist retailer aimed at mums-to-be and parents. When we first took an interest, the shares were depressed following the Company's poor performance on the high street. However, a turnaround plan, presented by new CEO Simon Calver, proposed several initiatives including a major expansion of the ecommerce business. The Fund bought its shares in Mothercare at 193.5p each on July 9. They ended the half year (buoyed by good news on like-for-like sales) at 277.5p.

Following the sharp decline in share prices during 2008, investors remain, on the whole, extremely risk averse. However, with returns on cash and bonds currently so miserly, we believe this situation will eventually reverse, especially if company results continue to improve. As we've said before, fear can push the shares of many steadily performing, cash generative small companies to levels which make them extremely attractive. We continue to look beyond short-term market sentiment, seeking companies with the potential to deliver substantial returns over the longer-term. The Fund's recent outperformance suggests this strategy is paying off.

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 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	0.3929pps	0.3179pps	0.1937pps	-

Techinvest Ltd
Investment Manager
1 December 2012

MFM TECHINVEST SPECIAL SITUATIONS FUND

Portfolio Changes

For the six month period ended 31 October 2012

Major Purchases	Cost (£)	Major Sales	Proceeds (£)
Mothercare	35,110	Cable & Wireless Worldwide	56,571
Providence Resources	34,409	AI Claims Solutions	42,090
Forbidden Technologies	29,204	Brainjuicer Group	39,272
Bank of Ireland	22,440	Datalex	30,016
Costain Group	19,391	Microgen	28,727
MCB Financial Group	19,214	KBC Advanced Technology	23,577
Smiths News	14,483	Fairpoint Group	23,216
Styles & Wood Group	10,548	Smiths News	18,223
Park Group	9,063	Goals Soccer Centres	14,281
		Tangent Communications	10,578
		French Connection Group	9,085
Total purchases for the period	193,862	Total sales for the period	295,636

TOP TEN HOLDINGS AS AT 31 OCTOBER 2012

	%
Datalex	4.25
Tangent Communications	4.24
Fairpoint Group	4.00
Netdimensions Holdings	3.70
Silverdell	3.43
Costain Group	3.30
Real Good Food Company	2.87
Renew Holdings	2.82
Styles & Wood Group	2.82
Greencore Group	2.79

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

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

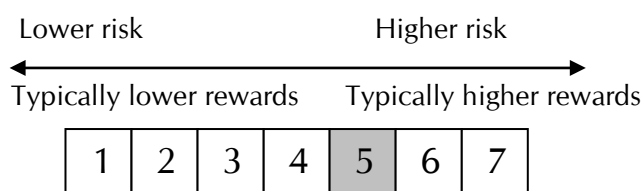
Ongoing Charge Figure as at 31 October 2012 1.84%

Ongoing Charge Figure as at 30 April 2012 1.85%

The ongoing charge figure is based on expenses for the 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
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*	77.48p	64.20p	0.4684p

*up to 31 October 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
31 October 2012	£2,125,469	76.05p

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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