



MFM Techinvest Special Situations Fund

Short Report

For the period from 1st May 2013 to 31st October 2013

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 and regulated by the Financial Conduct 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

AUTHORISED INVESTMENT ADVISER'S REPORT

For the six month period ended 31 October 2013

Percentage change and sector position to 31 October 2013

	<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	26.03%	29.44%	56.61%	80.47%	0.56%
Quartile Ranking*	1	4	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 Fund put in a strong performance over the six months to October 31, with the share price increasing 26.03%. We attribute this to a resurgence in investor appetite for UK-listed smaller companies. The Fund comfortably eclipsed the main London index, the FTSE 100, which posted a gain of 4.69%. The broader-based FTSE All-Share performed a little better, climbing 5.76%, while London's index of smaller companies, the FTSE Small Cap, finished at 13.88%.

As we've pointed out in previous reports, the overwhelming majority of holdings in the Fund are listed on London's junior exchange, AIM. It is therefore satisfying to note that the FTSE AIM All-Share gained 14.24%, lagging the Fund by more than 11 percentage points over the half year.

We commented in the last Annual Report that the Fund was very deliberately positioned for economic recovery having taken positions in many companies well placed to benefit from increases in capital investment, consumer sentiment and government spending. Recent positive news flow on the UK economy suggests this strategy was correct; growth has exceeded expectations, unemployment has fallen, consumer spending is up and business surveys suggest a return to confidence.

Since inception on 5 July 2005, the Fund's share price was almost flat, rising just 0.56%. This comfortably overhauls the FTSE AIM All-Share over the same period, which registered a decline of 19.50%. However, it lags the gains of 29.70% and 38.20% recorded by the FTSE 100 and FTSE All-Share respectively. The FTSE Small Cap performed better still since the Fund's inception, climbing 48.51%.

Reader's of our prior reports will know we've been consistently mindful of the Fund's longer-term performance, and that we've remained steadfastly committed to improving it. Therefore, it is pleasing that on a three-year return basis, the Fund's 56.61% gain to October 31 outperformed the FTSE 100 (up 18.61%), the FTSE All-Share (up 22.11%), the FTSE Small Cap (up 41.78%) and the FTSE AIM-All Share (down 0.74%).

There is some evidence that equity investors are again considering smaller company shares as they seek superior returns. This, combined with the improved outlook for the UK economy, points to further gains for such share prices.

It is worth noting that the present bull run began back in early 2009. When compared to the longevity of prior bull markets, this suggests that the current run may be entering its final stages. However, equity valuations are, in general, not excessive by historical standards. Therefore, a profit taking phase may be short-lived and provide significant opportunities for patient investors taking a longer-term view.

A popular theme for market commentators is the possible negative impact on global stock markets of an ending to the US Federal Reserve's bond buying programme (the infamous Quantitative Easing). However, the fact that these concerns are so widely discussed and understood suggests such anxieties are priced into equity valuations already. Over in the eurozone, much of the landscape remains characterised by weak growth and high unemployment. And, despite recent economic data indicating some slight improvements, significant structural problems remain.

AUTHORISED INVESTMENT ADVISER'S REPORT (CONTINUED)

The Fund ended the half year with 3.4% of the portfolio in cash. This is slightly below the average over the period.

At October 31, the ten largest holdings, in alphabetical order, were Accumuli (the fast-growing provider of managed IT security solutions is the Fund's third largest holding), Ashley House (recent news flow from the health and community care specialist points to a strong trading recovery), Bank of Ireland (the Fund's largest holding is a direct play on the resurging Irish economy), Costain, Datalex (the travel and retail software specialist is the second largest holding), ISG, N Brown, Pure Wafer, Styles & Wood and Utilitywise (the provider of energy procurement services is benefitting from a drive by businesses to reduce energy costs).

Recent additions to the Fund's portfolio include French Connection, the renowned high street fashion brand. The Fund bought the shares following a statement from the retailer indicating strong trading performances in North America and Asia, combined with a stabilisation for the UK and Europe. The Company is supported by a robust balance sheet and is well-placed to become an interesting recovery story.

Conviviality Retail is an emerging high-growth story whose shares were recently acquired by the Fund. The Company owns the UK's largest franchised off-licence and convenience chain. During August, it acquired the entire estate of Wine Rack, which provides some diversification away from the traditional focus on the North of England.

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.marlbroughfunds.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 the monthly *Techinvest* newsletter.

Distributions	Year 2013	Year 2012	Year 2011	Year 2010
<u>Class A</u>				
Net income paid June	0.2962pps	0.0755pps	0.0770pps	0.0448pps
Net income paid December	0.0970pps	0.3929pps	0.3179pps	0.1937pps
<u>Class B</u>				
Net income paid June	0.4100pps			
Net income paid December	0.1900pps			
<u>Class P</u>				
Net income paid June	0.5500pps			
Net income paid December	0.4500pps			

Techinvest Ltd
Investment Manager
1st December 2013

This report contains FTSE data. Source: FTSE International Limited ("FTSE") © FTSE 2013. "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under licence. All rights in the FTSE indices and / or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and / or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.

MFM TECHINVEST SPECIAL SITUATIONS FUND

Portfolio Changes

For the six month period ended 31 October 2013

Purchases	Cost (£)	Sales	Proceeds (£)
Accumuli	71,205	Avanti Communications Group	52,540
IS Solutions	66,782	Mothercare	41,276
Convivality Retail	62,061	Fairpoint Group	40,697
Restore	54,834	Altitude Group	40,382
Miton	51,333	The Local Shopping REIT	37,760
Utilitywise	47,175	Next Fifteen Communications Group	35,927
Altitude Group	41,582	Renew Holdings	28,214
French Connection	31,904	PROACTIS Holdings	25,840
Fulcrum Utility Services	30,210	Sagentia Group	24,949
Pure Water	29,976	Mar City	21,933
Renovo	26,744	Providence Resources	21,057
Styles & Wood Group	15,082	Cello Group	16,049
Ashley House	13,562	Theo Fennell	10,000
Lombard Risk Management	12,349	Spark Ventures	8,000
Forbidden Technologies	6,000	Connemara Mining	7,481
		Metro Baltic Horizons	5,484
		PowerFilm	2,194
Total purchases for the period	560,799	Total sales for the period	419,783

TOP TEN HOLDINGS AS AT 31 OCTOBER 2013

	%
Bank of Ireland	5.83
Datalex	3.46
Accumuli	3.43
Ashley House	3.36
Utilitywise	3.31
Styles & Wood Group	3.20
ISG	3.19
Brown (N) Group	3.06
Pure Wafer	3.02
Costain Group	2.91

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 31 October 2013 Class A 1.86%, Class B 1.37%**, Class P 1.12%**

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

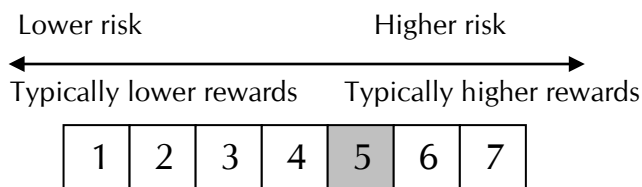
** period 9 January 2013 to 31 October 2013

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

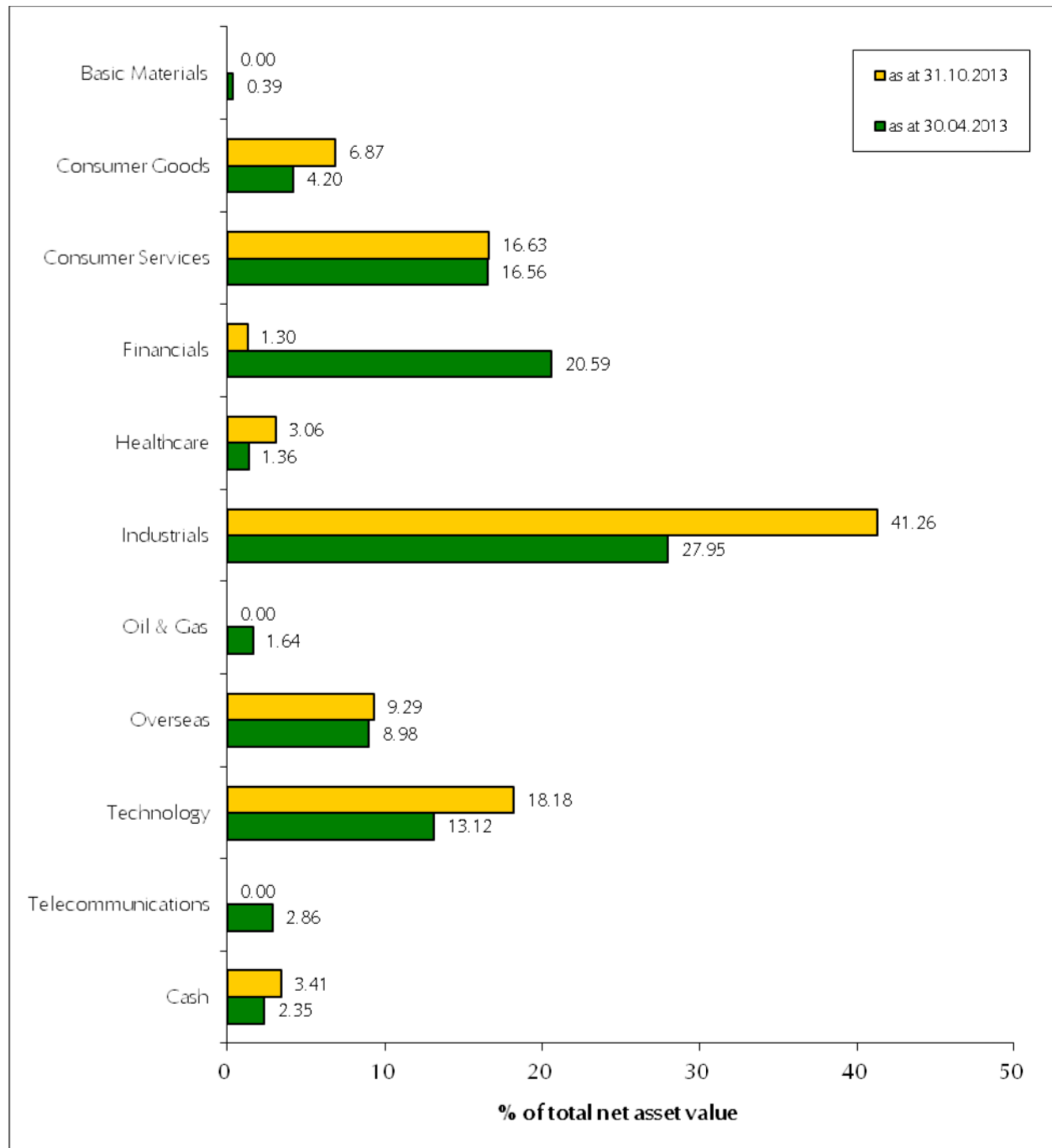
SUMMARY OF FUND PERFORMANCE

Year	Highest Price	Lowest Price	Distribution Per Share
<u>Class A</u>			
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	77.57p	64.20p	0.4684p
2013*	100.13p	77.98p	0.4684p
<u>Class B</u>			
2013*	100.16p	77.96p	0.6000p
<u>Class P</u>			
2013*	100.61p	78.20p	1.0000p

*up to 31 October 2013

	Net asset value of scheme property	Number of accumulation shares in issue	Net asset value per accumulation share
<u>Class A</u>			
30 April 2011	£2,181,477	3,070,758	71.04p
30 April 2012	£1,983,949	2,840,114	69.85p
30 April 2013	£2,129,557	2,728,007	78.06p
31 October 2013	£2,909,300	2,946,765	98.73p
<u>Class B</u>			
30 April 2013	£78	100	78.02p
31 October 2013	£99	100	98.75p
<u>Class P</u>			
30 April 2013	£78	100	78.16p
31 October 2013	£99	100	99.22p

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