



MARLBOROUGH UK MICRO-CAP GROWTH FUND

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

for the year ended 31 July 2019

MARLBOROUGH UK MICRO-CAP GROWTH FUND

Authorised Fund Manager and Registrar

Marlborough Fund Managers Ltd
Marlborough House
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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.

Investment Adviser

Hargreave Hale Limited
Talisman House
Boardmans Way
Blackpool
Lancashire
FY4 5FY

Authorised and regulated by the Financial Conduct Authority.

Auditor

Barlow Andrews LLP
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BL1 4BY

Directors of Marlborough Fund Managers Ltd

Andrew Staley	Chairman
Nicholas F J Cooling	Deputy Chairman
Allan Hamer	Joint Managing Director
Wayne D Green	Joint Managing Director
Dom Clarke	Finance Director
Geoffrey Hitchin	Investment Director
Helen Derbyshire	Director – Compliance & Risk
Richard Goodall	Director – Strategy & Business Development
Guy Sears	Non-Executive Director
David Kiddie	Non-Executive Director

MARLBOROUGH UK MICRO-CAP GROWTH FUND

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MARLBOROUGH UK MICRO-CAP GROWTH FUND

AUTHORISED INVESTMENT ADVISER'S REPORT

for the year ended 31 July 2019

Percentage change and sector position to 31 July 2019

	<u>Six months</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>	<u>Since launch*</u>
Marlborough UK Micro-Cap Growth Fund	8.03%	-2.34%	50.84%	74.18%	707.32%
Quartile Ranking**	2	1	2	1	1

* Launch period ended 4 October 2004.

** Based on ranking within The Investment Association's UK Smaller Companies sector.

External Source of Economic Data: Morningstar (Class P Acc - bid to bid).

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



Giles Hargreave

Guy Feld

Over the year to 31 July 2019 our Microcap Fund's P class shares fell 2.34%. Over the same period, the FTSE Small Cap (Ex. IT) index fell 12.40% and the AIM All Share Index fell 14.77%.

The 12-month period to 31 July 2019 saw no resolution to the political and macroeconomic concerns we addressed in our last annual letter. Whilst the change in course from the Federal Reserve has bolstered equity markets recently there remain several political and economic uncertainties. The US and China trade disputes and disagreements regarding alleged currency manipulation have not yet been resolved. Escalated trade tensions have caused the IMF, the World Bank and OECD each to cut their global growth estimates in 2019. Add slowing macroeconomic indicators and an inverted yield curve in numerous countries and prospects do not augur particularly well.

However, some resolution of global trade disputes and a palatable Brexit outcome would put equity markets on firmer foundations. Given the decoupling of UK equity valuations as compared to other developed markets, we would argue that a degree of the bad news has been priced in to the UK market and, whilst risks remain, there is the valuation upside in the UK market if progress can be made on Brexit negotiations. We have started to see bids for UK listed companies in recent months with international buyers potentially taking advantage of a weak GBP and the depressed valuation of UK assets.

Despite the relatively challenging environment, we remain focused on selecting niche, growing and high-quality UK smaller companies for inclusion in the portfolio. We are still finding opportunities and are increasingly finding value that has been hard to come across for the last several years. There also remains opportunity in the IPO market. Over the 12 months to 31 July 2019 we participated in seven Initial Public Offerings (IPOs), of which five have performed very well and the remaining two have been more pedestrian yet have outperformed the abovementioned indices; we will detail these below.

The number of losers in the portfolio over the 12-month period exceeded the winners by approximately 2:1, as might be expected through a period where the Small Cap and AIM indices fell more than 10% each.

The largest winner over the period was Manolete Partners (+204%). Manolete operates in a niche segment of the litigation finance sector with what we believe to be high barriers to entry, namely its brand, referral network and in-house expertise, where the IRRs (Internal Rate of Return) on the individual cases are usually higher than other litigation financiers due to the faster resolution of their cases with average durations of 11-12 months. We believe that Manolete should be able to grow its business independently of the macroeconomic environment and, indeed, may well benefit from an increasing number of insolvencies.

The next most significant riser was Ero Copper (+190%) which we discussed in our last annual letter. The company has continued to execute operationally which is reflected in the share price appreciation to date. Other notable contributors include the specialist waste management company Augean (+173%) and the regional law firm consolidator, Knights Group (+84%). Both companies have benefited from strong earnings momentum and better than expected execution of their growth strategies.

A number of the Fund's largest holdings also performed well. Future Plc (+166%) rose following strong reported results and a large acquisition, in line with the company's stated strategy. AB Dynamics (+106%), now the Fund's largest holding, rose following strong trading updates.

We were also active in the IPO market, which was the primary source of new additions to the portfolio in the period. Many have performed well: As already mentioned Manolete (+204%) was the top performer followed by AJ Bell (+160%), S4 Capital (+41%), Diaceutics (+23%), essensys Group (+23%). The other IPOs in which we took part were Loungers (+2%) and Sensyne Health (-9%).

The Fund had a few disappointing performers of note. Whilst most of the largest fallers occupied small positions in the Fund given their inherent risks, two detractors are of note that were mid-sized positions. Firstly, LoopUp (-70%) fell following a profit warning caused principally by lower than expected sales revenue blamed on macroeconomic factors and integration issues with the company's acquisition of MeetingZone. Secondly, accesso Technology (-62%) fell following poor recent trading updates and management changes. The company has since announced a formal sale process which has seen the shares rally somewhat. Other notable detractors which occupied smaller positions in the Fund include: Mereo Biopharma (-87%), GRC International (-85%) and Nanoco (-68%).

MARLBOROUGH UK MICRO-CAP GROWTH FUND

AUTHORISED INVESTMENT ADVISER'S REPORT

for the year ended 31 July 2019

The Fund ended the period with 262 holdings and the top 50 accounting for approximately 50% of the value of the portfolio. As ever, we take a diversified approach to portfolio management but do concentrate the top half of our Fund in our highest conviction ideas. The Fund ended the period with a 1.4% cash weighting.

Hargreave Hale Ltd
21 August 2019

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Distributions (pence per unit)

	<u>Year 2019</u>	<u>Year 2018</u>	<u>Year 2017</u>	<u>Year 2016</u>
<u>Class A Accumulation</u>				
Net income paid 30 September	0.0000	0.0000	0.6684	0.7214
<u>Class B Accumulation</u>				
Net income paid 30 September	2.5969	2.3427	3.6169	3.1693
<u>Class P Accumulation</u>				
Net income paid 30 September	4.4858	4.1920	5.0702	4.3626

Portfolio changes

Largest purchases	Cost (£)	Largest sales	Proceeds (£)
Plus500	10,471,566	Future	23,254,371
Loungers	10,197,296	Learning Technologies Group	18,690,191
Syncona	9,198,128	Ideagen	12,251,877
Knights Group Holdings	7,886,955	Blue Prism Group	12,008,987
Eland Oil & Gas	7,303,816	Plus500	7,417,400
Future	7,177,525	Huntsworth	6,934,256
Duke Royalty	6,705,857	Severfield	6,732,106
CareTech Holdings	6,574,244	FDM Group (Holdings)	6,233,040
Petropavlovsk	6,510,285	Flowtech Fluidpower	5,877,471
Kin and Carta	6,402,807	dotDigital Group	5,815,047
Other purchases	235,445,906	Other sales	166,113,398
Total purchases for the year	313,874,385	Total sales for the year	271,328,144

MARLBOROUGH UK MICRO-CAP GROWTH FUND

AUTHORISED STATUS AND GENERAL INFORMATION

Authorised status

Marlborough UK Micro-Cap Growth 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 operating under the Collective Investment Schemes Sourcebook (COLL) as issued by the Financial Conduct Authority.

Investment objective

The investment objective of the Fund is to provide a total return of capital and income in excess of the total return achieved by the FTSE Small Cap Index (ex. Investment Companies), over the medium to long term¹.

The Fund will be actively managed on a total return basis investing primarily in UK companies having a market capitalisation of £250m or less at the time of purchase. A considerable proportion of the portfolio will be invested in smaller companies with a market capitalisation of less than £150m at the time of purchase. At times it may be appropriate for the Fund not to be fully invested but to hold cash and near cash. The Fund may also invest in other transferable securities, including but not limited to: warrants; government and public securities; and units in collective investment schemes. The Fund is permitted to invest in derivatives and forward transactions for the purposes of hedging only.

¹ Investors should be aware that there is no guarantee that this objective will be achieved over this (or any) time period and that your capital is in fact at risk.

Rights and terms attaching to each unit class

Each 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.

Changes in prospectus

With effect from 1 April 2019 the Fund has changed from a dual priced unit trust to a single priced unit trust and is operating a 'swinging' single price mechanism.

Also, on that date, the initial service charge that applied to class P units was removed. An initial service charge will still be applied to class A and class B units. Details of these charges can be found in the Prospectus.

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

Remuneration policy

In line with the requirement 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 2018 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	8	676,276	489,569	186,707
Risk takers and other identified staff	9	1,752,621	637,822	1,114,799
Allocation of total remuneration of the employees of the AFM to the Fund				
Senior management	0.95	136,518	98,828	37,690
Risk takers and other identified staff	5.88	1,654,683	562,384	1,092,299

The total number of staff employed by the AFM was 148 as at 30 September 2018. The total remuneration paid to those staff was £6,491,736, of which £3,831,649 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 UK MICRO-CAP GROWTH 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
JOINT MANAGING DIRECTOR



G R HITCHIN
INVESTMENT DIRECTOR

MARLBOROUGH FUND MANAGERS LTD
18 September 2019

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 gains/(losses) 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;
- 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.

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 Marlborough UK Micro-Cap Growth Fund ("the Trust") for the period ended 31 July 2019

The Depositary in its capacity as Trustee of Marlborough UK Micro-Cap Growth 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 the 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

18 September 2019

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF MARLBOROUGH UK MICRO-CAP GROWTH FUND

Opinion

We have audited the financial statements of Marlborough UK Micro-Cap Growth Fund (the 'fund') for the year ended 31 July 2019 which comprise the statement of total return, the statement of change in net assets attributable to unitholders, the balance sheet and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the fund's affairs as at 31 July 2019 and of its net revenue and net capital gains or losses on the fund property for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been properly prepared in accordance with the Statement of Recommended Practice for Authorised Funds issued by The Investment Association, the rules contained in the Collective Investment Schemes Sourcebook and the trust deed.

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. 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 FRC's 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the authorised fund manager's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the authorised fund manager has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The authorised fund manager is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Collective Investment Schemes Sourcebook

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the report of the authorised fund manager for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- we have been given all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

MARLBOROUGH UK MICRO-CAP GROWTH FUND

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF MARLBOROUGH UK MICRO-CAP GROWTH FUND

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the fund and its environment obtained in the course of the audit, we have not identified material misstatements in the report of the authorised fund manager.

We have nothing to report in respect of the following matters to which the Collective Investment Schemes Sourcebook requires us to report to you if, in our opinion:

- proper accounting records for the fund have not been kept; or
- the financial statements are not in agreement with those records.

Responsibilities of the authorised fund manager

As explained more fully in the Statement of Authorised Fund Manager's Responsibilities set out on page 4, the authorised fund 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 authorised fund 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 authorised fund 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 authorised fund manager either intends to liquidate the fund or to cease activity, or have 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://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, in accordance with paragraph 4.5.12 of the rules of the Collective Investment Schemes Sourcebook. 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.

Barlow Andrews LLP
Chartered Accountants
Statutory Auditor
Carlyle House
78 Chorley New Road
Bolton

18 September 2019

MARLBOROUGH UK MICRO-CAP GROWTH FUND

COMPARATIVE TABLE

Accumulation units were first offered at 100p on 13 September 2004. On 16 November 2009, the units were reclassified as Class A units and Class B units became available for purchase. On 31 December 2012, Class P units became available for purchase.

<u>Class A accumulation units</u>	Year to 31.07.2019	Year to 31.07.2018	Year to 31.07.2017
Change in net assets per unit	pence	pence	pence
Opening net asset value per unit	730.82	652.56	474.62
Return before operating charges*	(4.27)	89.16	186.67
Operating charges	(10.71)	(10.90)	(8.73)
Return after operating charges*	(14.98)	78.26	177.94
Distributions on accumulation units	0.00	0.00	(0.67)
Retained distributions on accumulation units	0.00	0.00	0.67
Closing net asset value per unit	715.84	730.82	652.56
 * after direct transaction costs of:	 0.64	 0.63	 0.83
Performance			
Return after charges	-2.05%	11.99%	37.49%
Other information			
Closing net asset value	£121,291,313	£145,706,837	£125,543,461
Closing number of units	16,943,839	19,937,538	19,238,479
Operating charges	1.53%	1.53%	1.54%
Direct transaction costs	0.09%	0.09%	0.15%
Prices			
Highest unit price	809.29p	803.40p	705.86p
Lowest unit price	630.47p	656.03p	475.76p
<u>Class B accumulation units</u>	Year to 31.07.2019	Year to 31.07.2018	Year to 31.07.2017
Change in net assets per unit	pence	pence	pence
Opening net asset value per unit	762.13	677.10	490.12
Return before operating charges*	(4.22)	92.66	193.08
Operating charges	(7.55)	(7.63)	(6.10)
Return after operating charges*	(11.77)	85.03	186.98
Distributions on accumulation units	(2.60)	(2.34)	(3.62)
Retained distributions on accumulation units	2.60	2.34	3.62
Closing net asset value per unit	750.36	762.13	677.10
 * after direct transaction costs of:	 0.67	 0.65	 0.85
Performance			
Return after charges	-1.54%	12.56%	38.15%
Other information			
Closing net asset value	£3,285,486	£13,063,327	£12,470,270
Closing number of units	437,854	1,714,062	1,841,714
Operating charges	1.03%	1.03%	1.04%
Direct transaction costs	0.09%	0.09%	0.15%
Prices			
Highest unit price	812.15p	805.07p	704.33p
Lowest unit price	658.98p	680.84p	491.31p

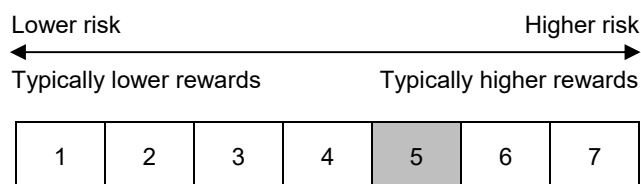
MARLBOROUGH UK MICRO-CAP GROWTH FUND

COMPARATIVE TABLE

Class P accumulation units	Year to	Year to	Year to
Change in net assets per unit	31.07.2019	31.07.2018	31.07.2017
	pence	pence	pence
Opening net asset value per unit	763.16	676.32	488.31
Return before operating charges*	(4.23)	92.64	192.66
Operating charges	(5.73)	(5.80)	(4.65)
Return after operating charges*	(9.96)	86.84	188.01
Distributions on accumulation units	(4.49)	(4.19)	(5.07)
Retained distributions on accumulation units	4.49	4.19	5.07
Closing net asset value per unit	753.20	763.16	676.32
 * after direct transaction costs of:	 0.67	 0.65	 0.86
Performance			
Return after charges	-1.31%	12.84%	38.50%
Other information			
Closing net asset value	£1,115,313,951	£1,118,393,696	£799,431,894
Closing number of units	148,076,186	146,547,768	118,202,360
Operating charges	0.78%	0.78%	0.79%
Direct transaction costs	0.09%	0.09%	0.15%
Prices			
Highest unit price	813.42p	805.75p	703.39p
Lowest unit price	660.60p	680.09p	489.50p

Operating charges are the same as the ongoing charges and are the total expenses paid by each unit class in the period. Direct transaction costs are the total charges for the period, 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 period and the average units in issue for the pence per unit figures.

SYNTHETIC RISK AND REWARD INDICATOR



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 5 because it has experienced moderate to high volatility historically. During the period the synthetic risk and reward indicator has remained unchanged.

MARLBOROUGH UK MICRO-CAP GROWTH FUND

PORTFOLIO STATEMENT

as at 31 July 2019

Holding or nominal value		Bid value £	Percentage of total net assets %
AEROSPACE AND DEFENCE (0.87%, July 2018 - 0.76%)			
1,195,500	Cohort	5,200,425	0.42
84,615,000	TP Group	5,584,590	0.45
	Total Aerospace and Defence	10,785,015	0.87
BEVERAGES (0.97%, July 2018 - 0.89%)			
500,000	Fever-Tree Drinks	12,085,000	0.97
	Total Beverages	12,085,000	0.97
CHEMICALS (0.86%, July 2018 - 0.84%)			
22,000,000	Quadrise Fuels International	792,000	0.06
2,133,419	Trealt	9,920,398	0.80
	Total Chemicals	10,712,398	0.86
CLOSED END INVESTMENTS (1.69%, July 2018 - 0.61%)			
8,000,000	Augmentum Fintech	8,880,000	0.72
1,362,800	EPE Special Opportunities	2,480,296	0.20
3,750,000	Syncona	9,543,750	0.77
	Total Closed End Investments	20,904,046	1.69
CONSTRUCTION AND MATERIALS (1.54%, July 2018 - 2.23%)			
1,968,000	Eurocell	4,132,800	0.33
5,000,000	Michelmersh Brick Holdings	4,550,000	0.37
2,242,425	Norcros	4,619,396	0.37
1,461,000	Renew Holdings	5,873,220	0.47
	Total Construction and Materials	19,175,416	1.54
CONSUMER SERVICES (0.22%, July 2018 - 0.18%)			
3,343,000	Franchise Brands	2,774,690	0.22
	Total Consumer Services	2,774,690	0.22
ELECTRONIC AND ELECTRICAL EQUIPMENT (1.04%, July 2018 - 1.23%)			
24,500,000	CAP-XX	1,176,000	0.10
3,001,730	Fireangel Safety Technology Group	870,502	0.07
6,300,085	Ilika	1,575,021	0.13
915,000	LPA Group	860,100	0.07
350,000	Porvair	2,009,000	0.16
375,000	Solid State	1,725,000	0.14
500,000	Sumo Group	795,000	0.06
8,670,000	Thruvision Group	2,375,580	0.19
1,584,910	Xaar	1,461,287	0.12
	Total Electronic and Electrical Equipment	12,847,490	1.04
FINANCE AND CREDIT SERVICES (0.96%, July 2018 - 1.07%)			
3,069,245	Morses Club	3,897,941	0.31
437,306	Mortgage Advice Bureau (Holdings)	2,501,390	0.20
2,864,172	Ramsdens Holdings	5,527,852	0.45
	Total Finance and Credit Services	11,927,183	0.96
FOOD PRODUCERS (0.31%, July 2018 - 0.63%)			
5,800,000	Finsbury Food Group	3,886,000	0.31
	Total Food Producers	3,886,000	0.31

MARLBOROUGH UK MICRO-CAP GROWTH FUND

PORTFOLIO STATEMENT

as at 31 July 2019

Holding or nominal value		Bid value £	Percentage of total net assets %
GAS, WATER AND MULTI-UTILITIES (0.44%, July 2018 - 1.14%)			
11,195,000	Fulcrum Utility Services	3,190,575	0.26
2,017,000	MYCELX Technologies	1,714,450	0.14
494,783	MYCELX Technologies 'Reg S'	470,044	0.04
	Total Gas, Water and Multi-utilities	5,375,069	0.44
GENERAL INDUSTRIALS (1.48%, July 2018 - 1.50%)			
17,000,000	Coats Group	13,464,000	1.09
5,125,000	Macfarlane Group	4,868,750	0.39
	Total General Industrials	18,332,750	1.48
HEALTH CARE PROVIDERS (1.67%, July 2018 - 0.61%)			
2,467,430	Cambridge Cognition Holdings	1,505,132	0.12
1,700,000	CareTech Holdings	6,375,000	0.51
3,160,000	Cello Health	3,886,800	0.31
4,800,000	Diaceutics	4,368,000	0.35
3,000,000	Sensyne Health	4,650,000	0.38
	Total Health Care Providers	20,784,932	1.67
HOUSEHOLD GOODS AND HOME CONSTRUCTION (0.98%, July 2018 - 1.55%)			
76,500	Churchill China	1,201,050	0.10
4,188,409	Springfield Properties	4,565,366	0.37
3,000,000	Watkin Jones	6,270,000	0.51
	Total Household Goods and Home Construction	12,036,416	0.98
INDUSTRIAL ENGINEERING (2.20%, July 2018 - 0.91%)			
1,067,500	AB Dynamics	27,221,250	2.20
	Total Industrial Engineering	27,221,250	2.20
INDUSTRIAL MATERIALS (0.49%, July 2018 - 0.34%)			
1,060,000	Zotefoams	6,084,400	0.49
	Total Industrial Materials	6,084,400	0.49
INDUSTRIAL METALS AND MINING (1.53%, July 2018 - 1.81%)			
3,000,000	Anglo Pacific Group	6,150,000	0.50
327,500	Condor Gold	58,950	0.00
3,600,000	Griffin Mining	2,880,000	0.23
97,250,000	Horizonte Minerals	2,188,125	0.18
1,182,500	Kenmare Resources	2,554,200	0.21
140,000,000	Landore Resources	1,036,000	0.08
2,600,000	Tricorn Group	468,000	0.04
1,875,000	Trifast	3,628,125	0.29
	Total Industrial Metals and Mining	18,963,400	1.53
INDUSTRIAL SUPPORT SERVICES (9.13%, July 2018 - 7.92%)			
7,082,163	Boku 'Reg S'	8,640,239	0.70
543,500	Impellam Group	2,380,530	0.19
7,031,830	Johnson Service Group	11,968,175	0.97
7,433,334	Kazera Global	70,617	0.01
1,821,640	Keystone Law Group	9,217,498	0.74
4,400,000	Knights Group Holdings	14,080,000	1.14
850,000	Midwich Group	4,607,000	0.37
2,554,562	Mind Gym	3,014,383	0.24
1,000,000	PraxisIFM Group	1,930,000	0.16
3,235,000	Restore	13,651,700	1.10
2,460,000	RWS Holdings	15,891,600	1.28
1,100,000	SafeCharge International Group	4,950,000	0.40

MARLBOROUGH UK MICRO-CAP GROWTH FUND

PORTFOLIO STATEMENT

as at 31 July 2019

Holding or nominal value		Bid value £	Percentage of total net assets %
INDUSTRIAL SUPPORT SERVICES (continued)			
627,500	SANNE Group	3,419,875	0.28
2,500,000	Science Group	4,850,000	0.39
1,872,000	Smart Metering Systems	9,462,960	0.76
840,000	Synectics	1,646,400	0.13
1,388,752	The SimplyBiz Group	2,791,392	0.23
164,271	Water Intelligence	542,094	0.04
	Total Industrial Support Services	113,114,463	9.13
INDUSTRIAL TRANSPORTATION (1.00%, July 2018 - 0.91%)			
3,045,500	Avation	8,679,675	0.70
3,000,000	DX (Group)	370,500	0.03
2,635,000	Gama Aviation	2,108,000	0.17
500,000	Hargreaves Services	1,300,000	0.10
	Total Industrial Transportation	12,458,175	1.00
INVESTMENT BANKING AND BROKERAGE SERVICES (11.18%, July 2018 - 8.53%)			
1,425,453	AJ Bell	5,908,503	0.48
3,000,000	Allied Minds	2,004,000	0.16
1,572,650	Alpha FX Group	11,637,610	0.94
595,000	Aquis Exchange	2,867,900	0.23
1,750,000	Charter Court Financial Services Group	5,206,250	0.42
494,000	City of London Investment Group	2,059,980	0.17
2,890,703	Curtis Banks Group	8,961,179	0.72
3,127,236	Draper Esprit	16,073,993	1.30
31,000,000	Duke Royalty	13,764,000	1.11
5,362,500	Frenkel Topping Group	1,876,875	0.15
3,575,031	Frontier IP Group	2,395,271	0.19
4,674,360	Harwood Wealth Management Group	5,609,232	0.45
5,122,500	Impax Asset Management Group	12,294,000	0.99
1,690,000	IntegraFin Holdings	6,498,050	0.53
1,400,000	K3 Capital Group	2,170,000	0.18
500,000	Kingswood Holdings	38,500	0.00
1,075,000	Liontrust Asset Management	8,729,000	0.70
2,404,448	Manolete Partners	12,382,907	1.00
1,950,000	Marlowe	9,048,000	0.73
8,010,000	Mercia Asset Management	2,643,300	0.21
350,000	Polar Capital Holdings	2,009,000	0.16
1,900,000	Premier Asset Management Group	3,372,500	0.27
1,026,904	Sigma Capital Group	1,109,056	0.09
	Total Investment Banking and Brokerage Services	138,659,106	11.18
LEISURE GOODS (3.60%, July 2018 - 4.10%)			
4,895,175	Codemasters Group Holdings	10,818,337	0.87
2,940,000	Focusrite	14,523,600	1.17
375,000	Games Workshop Group	16,807,500	1.36
150,000	Keywords Studios	2,512,500	0.20
	Total Leisure Goods	44,661,937	3.60
MEDIA (9.60%, July 2018 - 7.50%)			
375,000	4imprint Group	10,650,000	0.86
7,092,334	Ebiquity	4,042,630	0.33
2,000,000	Future	22,160,000	1.79
1,258,280	GlobalData	10,947,036	0.88
17,119,094	Huntsworth	16,742,474	1.35
5,000,000	Jaywing	325,000	0.03
6,000,000	Kin and Carta	6,210,000	0.50

MARLBOROUGH UK MICRO-CAP GROWTH FUND
PORTFOLIO STATEMENT

as at 31 July 2019

Holding or nominal value		Bid value £	Percentage of total net assets %
MEDIA (continued)			
650,000	M&C Saatchi	2,145,000	0.17
3,018,654	Next Fifteen Communications Group	18,111,924	1.46
10,565,000	S4 Capital	16,164,450	1.30
3,100,000	SigmaRoc	1,302,000	0.11
1,130,000	STV Group	4,192,300	0.34
1,402,500	Tarsus Group	5,946,600	0.48
	Total Media	118,939,414	9.60
MEDICAL EQUIPMENT AND SERVICES (2.70%, July 2018 - 1.34%)			
1,800,000	Advanced Medical Solutions Group	5,256,000	0.42
6,700,000	Creo Medical Group	10,586,000	0.85
22,000,000	EKF Diagnostics Holdings	7,348,000	0.59
19,692,308	Kromek Group	5,021,539	0.41
2,100,500	Renalytix AI 'Reg S'	5,335,270	0.43
	Total Medical Equipment and Services	33,546,809	2.70
NON-RENEWABLE ENERGY (3.93%, July 2018 - 2.28%)			
31,425,000	Amerisur Resources	5,719,350	0.46
114,285,714	Cluff Natural Resources	1,885,714	0.15
3,675,000	Eco (Atlantic) Oil & Gas	2,535,750	0.20
21,000,000	Egdon Resources	1,050,000	0.08
6,000,000	Eland Oil & Gas	7,164,000	0.58
1,250,000	Getech Group	312,500	0.03
1,500,000	IGas Energy	810,000	0.07
4,526,166	Jadestone Energy	2,512,022	0.20
11,250,000	Serica Energy	12,442,500	1.00
25,427,485	Serinus Energy	2,542,749	0.21
2,467,829	Tekmar Group	3,208,178	0.26
138,775,000	Wameja	7,493,850	0.60
7,150,483	Westmount Energy	1,072,572	0.09
	Total Non-Renewable Energy	48,749,185	3.93
OPEN END AND MISCELLANEOUS INVESTMENT VEHICLES (Nil, July 2018 - 0.12%)			
	Total Open End and Miscellaneous Investment Vehicles	0	0.00
PERSONAL CARE, DRUG AND GROCERY STORES (1.43%, July 2018 - 0.82%)			
3,000,000	IG Design Group	17,700,000	1.43
	Total Personal Care, Drug and Grocery Stores	17,700,000	1.43
PERSONAL GOODS (0.36%, July 2018 - 0.46%)			
18,560,093	Bagir Group	167,041	0.01
1,060,000	Swallowfield	2,162,400	0.17
2,650,000	Warpaint London	2,199,500	0.18
	Total Personal Goods	4,528,941	0.36
PHARMACEUTICALS, BIOTECHNOLOGY AND MARIJUANA PRODUCERS (4.94%, July 2018 - 5.20%)			
240,000	Abcam	3,134,400	0.25
235,000	Bioventix	8,648,000	0.70
4,249,078	C4X Discovery Holdings	1,912,085	0.15
800,000	Clinigen Group	8,024,000	0.65
1,700,828	Destiny Pharma	1,088,530	0.09
1,675,000	ECO Animal Health Group	6,700,000	0.54
4,705,000	Horizon Discovery Group	7,198,650	0.58
2,393,000	MaxCyte	2,871,600	0.23
882,350	MaxCyte 'Reg S'	1,058,820	0.09
1,620,000	Mereo BioPharma Group	648,000	0.05

MARLBOROUGH UK MICRO-CAP GROWTH FUND

PORTFOLIO STATEMENT

as at 31 July 2019

Holding or nominal value		Bid value £	Percentage of total net assets %
PHARMACEUTICALS, BIOTECHNOLOGY AND MARIJUANA PRODUCERS (continued)			
675,000	Oxford BioMedica	4,664,250	0.38
5,080,000	PureTech Health	14,020,800	1.13
2,842,500	Verona Pharma	1,193,850	0.10
	Total Pharmaceuticals, Biotechnology and Marijuana Producers	61,162,985	4.94
PRECIOUS METALS AND MINING (2.12%, July 2018 - 0.75%)			
1,090,000	Avesoro Resources	915,600	0.07
5,173,394	Highland Gold Mining	11,288,346	0.91
3,950,000	Jubilee Metals Group	120,475	0.01
37,335,000	Pan African Resources	4,196,454	0.34
75,000,000	Petropavlovsk	7,432,500	0.60
6,800,000	Sylvania Platinum	2,312,000	0.19
	Total Precious Metals and Mining	26,265,375	2.12
REAL ESTATE INVESTMENT AND SERVICES (0.05%, July 2018 - 0.64%)			
217,000	Palace Capital	609,770	0.05
	Total Real Estate Investment and Services	609,770	0.05
REAL ESTATE INVESTMENT TRUSTS (0.39%, July 2018 - 0.66%)			
4,575,728	Regional REIT	4,813,666	0.39
	Total Real Estate Investment Trusts	4,813,666	0.39
RENEWABLE ENERGY (0.83%, July 2018 - 1.02%)			
1,300,000	Ceres Power Holdings	2,541,500	0.21
40,500,000	Inspired Energy	5,062,500	0.41
21,312,500	SIMEC Atlantis Energy	2,664,063	0.21
	Total Renewable Energy	10,268,063	0.83
RETAILERS (2.43%, July 2018 - 3.22%)			
4,300,000	Angling Direct	3,096,000	0.25
1,840,000	Applegreen	9,089,600	0.73
900,000	Cambria Automobiles	504,000	0.04
2,500,000	Joules Group	6,425,000	0.52
3,000,000	Studio Retail Group	6,900,000	0.56
5,200,000	TheWorks.co.uk	4,134,000	0.33
	Total Retailers	30,148,600	2.43
SOFTWARE AND COMPUTER SERVICES (13.55%, July 2018 - 17.85%)			
5,484,954	1Spatial	1,645,486	0.13
2,105,264	Access Intelligence	1,221,053	0.10
620,600	accesso Technology Group	6,206,000	0.50
7,937,506	Albert Technologies	333,375	0.03
741,695	Aptitude Software Group	4,049,655	0.33
11,372,870	ATTRAQ Group	3,866,776	0.31
3,904,767	Blanco Technology Group	5,076,197	0.41
3,965,000	Brady	2,220,400	0.18
5,637,417	Castleton Technology	5,637,417	0.46
2,927,497	CentralNic Group	1,697,948	0.14
858,000	Cerillion	1,389,960	0.11
4,692,000	D4t4 Solutions	11,026,200	0.89
17,000,000	Eckoh	8,330,000	0.67
2,205,339	essensys	4,013,717	0.32
391,040	FDM Group (Holdings)	3,206,528	0.26
2,893,909	GB Group	17,363,454	1.40
900,000	GRC International Group	378,000	0.03
3,504,109	Gresham Technologies	3,959,643	0.32

MARLBOROUGH UK MICRO-CAP GROWTH FUND
PORTFOLIO STATEMENT

as at 31 July 2019

Holding or nominal value		Bid value £	Percentage of total net assets %
SOFTWARE AND COMPUTER SERVICES (continued)			
15,035,187	Idox	4,360,204	0.35
7,250,000	IMImobile	23,345,000	1.88
974,076	i-nexus Global	224,037	0.02
680,841	Instem	2,600,813	0.21
2,905,000	K3 Business Technology Group	6,158,600	0.50
1,090,000	Kainos Group	6,147,600	0.50
12,000,000	Learning Technologies Group	13,632,000	1.10
1,116,599	LoopUp Group	1,473,911	0.12
26,000,000	Minds + Machines Group	1,560,000	0.13
50,000,000	Nasstar	5,500,000	0.44
6,777,500	Oxford Metrics	5,828,650	0.47
3,621,281	Pennant International Group	3,150,515	0.25
65,250,000	Shearwater Group	1,533,375	0.12
1,700,000	SmartSpace Software	1,496,000	0.12
2,590,000	StatPro Group	3,626,000	0.29
4,998,803	SysGroup	2,149,485	0.17
6,323,808	Tern	727,238	0.06
4,025,000	Tribal Group	2,898,000	0.23
	Total Software and Computer Services	168,033,237	13.55
TECHNOLOGY HARDWARE AND EQUIPMENT (2.65%, July 2018 - 3.60%)			
14,400,000	APC Technology Group	1,080,000	0.09
3,861,050	discoverIE Group	16,911,399	1.36
275,000	Gooch & Housego	3,685,000	0.30
4,250,000	IQE	2,822,000	0.23
4,000,000	Nanoco Group	546,000	0.04
2,730,000	Quixant	7,862,400	0.63
	Total Technology Hardware and Equipment	32,906,799	2.65
TELECOMMUNICATIONS EQUIPMENT (0.48%, July 2018 - 0.58%)			
2,741,667	Adept4	8,225	0.00
9,830,054	BATM Advanced Communications	4,226,923	0.34
9,835,088	CyanConnode Holdings	452,414	0.04
7,000,000	Filtronic	490,000	0.04
4,410,000	Global Invacom Group	264,600	0.02
9,670,000	Pebble Beach Systems Group	531,850	0.04
	Total Telecommunications Equipment	5,974,012	0.48
TELECOMMUNICATIONS SERVICE PROVIDERS (0.75%, July 2018 - 0.90%)			
2,660,000	Bigblu Broadband	2,979,200	0.24
12,000,000	EVR Holdings	864,000	0.07
261,426	Maintel Holdings	1,139,817	0.09
4,233,375	Zegona Communications	4,318,043	0.35
	Total Telecommunications Service Providers	9,301,060	0.75
TRAVEL AND LEISURE (4.70%, July 2018 - 5.10%)			
1,500,000	Cake Box Holdings	2,550,000	0.21
1,576,232	City Pub Group (The)	3,373,137	0.27
17,931,747	DP Poland	1,255,222	0.10
6,950,929	easyHotel	4,865,650	0.39
2,550,000	Elegant Hotels Group	1,734,000	0.14
2,374,352	Escape Hunt	1,115,945	0.09
1,966,825	Hollywood Bowl Group	4,228,674	0.34
425,000	JPJ Group	2,890,000	0.23
5,000,000	Loungers	10,000,000	0.81
2,357,470	On the Beach Group	11,146,118	0.90

MARLBOROUGH UK MICRO-CAP GROWTH FUND

PORTFOLIO STATEMENT

as at 31 July 2019

Holding or nominal value		Bid value £	Percentage of total net assets %
TRAVEL AND LEISURE (continued)			
2,550,000	Stride Gaming	3,748,500	0.30
2,272,550	Ten Entertainment Group	5,363,218	0.43
14,185,850	The Fulham Shore	1,702,302	0.14
1,692,725	The Gym Group	4,316,449	0.35
	Total Travel and Leisure	58,289,215	4.70
WASTE AND DISPOSAL SERVICES (0.99%, July 2018 - 0.18%)			
10,510,000	Augean	12,296,700	0.99
	Total Waste and Disposal Services	12,296,700	0.99
OVERSEAS SECURITIES (2.47%, July 2018 - 3.58%)			
14,419,831	Base Resources	2,083,950	0.17
1,800,000	Cobalt 27 Capital	4,568,342	0.37
1,400,000	Dalata Hotel Group	6,035,312	0.49
250,000	Ero Copper	3,922,598	0.32
6,337,500	Foran Mining	1,129,075	0.09
20,000,000	Nevada Copper	4,250,784	0.34
5,525,000	Summit Germany	5,872,220	0.47
200,000	Tecogen	534,276	0.04
1,940,700	Titan Mining	436,738	0.04
584,958	TMT Investments	1,730,930	0.14
	Total Overseas Securities	30,564,225	2.47
UNQUOTED SECURITIES (2.08%, July 2018 - 0.80%)			
1,891,500	Constellation Healthcare Technologies Promissory Notes	0	0.00
500,000	Conviviality	0	0.00
3,311,071	Crawshaw Group	0	0.00
3,575,000	Gable Holdings	0	0.00
1,269,841	Gloo Networks	0	0.00
4,153,087	HaloSource	0	0.00
15,917,167	HaloSource 'Reg S'	0	0.00
17,829	Infinity Reliance	550,738	0.04
360,000	Lamaune Iron	0	0.00
86,666,667	Landore Resources Warrants	0	0.00
5,395,683	London Capital Group Warrants	0	0.00
142,425	MJH Group Holdings	3,418,200	0.28
1,199,998	MJH Group Holdings Convertible Loan Notes 0% 30.11.22	1,199,998	0.10
14,479,166	Moxico Resources	3,475,000	0.28
2,040,000	Normandy	142,800	0.01
1,850,000	Norseman Gold	0	0.00
6,999,000	Okullo	0	0.00
6,830	Oxford Genetics	2,185,600	0.18
3,490,856	Patisserie Holdings	0	0.00
252,165	SCA Investments	13,362,223	1.08
919,886	Serinus Energy Warrants	0	0.00
45,333,000	Snoozebox Holdings	0	0.00
13,896	Vanoil Energy	0	0.00
425,618	Verona Pharma Warrants	0	0.00
1,458,333	Wilmcote Holdings	1,385,416	0.11
	Total Unquoted Securities	25,719,975	2.08
Portfolio of investments		1,222,607,167	98.61
Net current assets		17,283,583	1.39
Total net assets		1,239,890,750	100.00

MARLBOROUGH UK MICRO-CAP GROWTH FUND

STATEMENT OF TOTAL RETURN

for the year ended 31 July 2019

	Notes	31 July 2019		31 July 2018	
		£	£	£	£
Income:					
Net capital gains/(losses)	4		(25,123,766)		117,980,385
Revenue	6	17,173,829		15,406,438	
Expenses	7	(10,625,805)		(9,972,150)	
Net revenue/(expense) before taxation		6,548,024		5,434,288	
Taxation	8	(3,760)		(19,388)	
Net revenue/(expense) after taxation			6,544,264		5,414,900
Total return before distributions			(18,579,502)		123,395,285
Distributions	9		(6,707,316)		(5,672,532)
Change in net assets attributable to unitholders from investment activities			(25,286,818)		117,722,753

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the year ended 31 July 2019

	31 July 2019		31 July 2018	
	£	£	£	£
Opening net assets attributable to unitholders		1,277,163,860		937,445,625
Amounts receivable on issue of units	68,431,580		228,840,405	
Amounts payable on cancellation of units	(87,004,990)		(13,003,782)	
Amounts payable on unit class conversions	(66,677)		(24,550)	
		(18,640,087)		215,812,073
Change in net assets attributable to unitholders from investment activities		(25,286,818)		117,722,753
Retained distribution on accumulation units		6,653,795		6,183,409
Closing net assets attributable to unitholders		1,239,890,750		1,277,163,860

MARLBOROUGH UK MICRO-CAP GROWTH FUND

BALANCE SHEET

as at 31 July 2019

	Notes	31 July 2019	31 July 2018
		£	£
Assets:			
Fixed Assets:			
Investments	16	1,222,607,167	1,205,157,938
Current Assets:			
Debtors	10	5,198,404	3,641,952
Cash and bank balances		15,496,308	70,288,616
Total assets		<u>1,243,301,879</u>	<u>1,279,088,506</u>
Liabilities:			
Creditors:			
Other creditors	11	<u>3,411,129</u>	<u>1,924,646</u>
Total liabilities		<u>3,411,129</u>	<u>1,924,646</u>
Net assets attributable to unitholders		<u><u>1,239,890,750</u></u>	<u><u>1,277,163,860</u></u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2019

1 ACCOUNTING POLICIES

a Basis of preparation

The financial statements have been prepared in compliance with FRS102 and in accordance with the Statement of Recommended Practice for UK Authorised Funds issued by The Investment Association in May 2014.

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. The principal accounting policies adopted are set out below.

b Going concern

The authorised fund manager has at the time of approving the financial statements, a reasonable expectation that the Fund has adequate resources to continue in operational existence for the foreseeable future. Thus it continues to adopt the going concern basis of accounting in preparing the financial statements.

c Revenue

Dividends from shares are recognised when the security is quoted ex-dividend.

Stock dividends, received as shares to the extent that the value of such dividends is equal to the cash dividends, are treated as revenue.

Special dividends are reviewed on a case by case basis when determining if the dividend is to be treated as revenue or capital. The tax treatment follows the accounting treatment of the principal amount.

Bank interest is accounted for on an accruals basis.

d Expenses

All expenses are accounted for on an accruals basis and, other than those relating to the purchase and sale of investments, are charged against income as shown in these accounts.

e Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on net revenue for the year. The taxable amount differs from net revenue as reported in the Statement of Total Return (SOTR) because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Fund's liability for current tax is calculated using tax rates that have been enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient tax profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the SOTR. Deferred tax assets and liabilities are offset when the Fund has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

f Valuation of investments

The investments of the Fund have been valued at their fair value at 12 noon on 31 July 2019. Fair value is normally the bid value of each security by reference to quoted prices from reputable sources; that is the market price. If the authorised fund manager believes that the quoted price is unreliable, or if no price exists, a valuation technique is used whereby fair value is the authorised fund manager's best estimate of a fair and reasonable value for that investment. The fair value excludes any element of accrued interest.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2019

ACCOUNTING POLICIES

g Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange ruling at the date of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the net capital gains/(losses) for the year.

h Cash and bank balances

Cash and bank balances include deposits held at call with banks. Bank overdrafts are shown within creditors in liabilities.

i Financial assets

The authorised fund manager has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of the Fund's financial instruments.

Financial assets are recognised in the Fund's balance sheet when the Fund becomes a party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Basic financial assets, which include amounts receivable for the issue of units, accrued income and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost. Amortised cost is the amount at which the financial asset is measured at initial recognition, less any reduction for impairment or uncollectability.

Basic financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in the SOTR.

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

j Financial liabilities

Financial liabilities are recognised in the Fund's balance sheet when the Fund becomes a party to the contractual provisions of the instrument.

Financial liabilities are classified into specified categories. The classification depends on the nature and purpose of the financial liabilities and is determined at the time of recognition.

Basic financial liabilities, which include amounts payable for cancellation of units and accrued expenses, are initially measured at transaction price. Other financial liabilities are measured at fair value.

Financial liabilities are derecognised when, and only when, the Fund's obligations are discharged, cancelled, or they expire.

2 DISTRIBUTION POLICIES

a Basis of distribution

The policy of the Fund is to distribute any net revenue shown as such in the statement of total return. Revenue attributable to accumulation unitholders is retained at the end of each distribution period and represents a reinvestment of revenue.

b Apportionment to multiple unit classes

The authorised fund manager's periodic charge is directly attributable to individual unit classes. All other income and expenses are allocated to the unit classes pro-rata to the value of the net assets of the relevant unit class on the day that the income or expenses are recognised.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2019

2 DISTRIBUTION POLICIES

c 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 as stated on page 3, 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.

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.

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.

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.

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.

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.

MARLBOROUGH UK MICRO-CAP GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2019

4 NET CAPITAL GAINS/(LOSSES)

The net gains/(losses) on investments during the year comprise:

	31 July 2019 £	31 July 2018 £
Non-derivative securities	(25,097,012)	118,024,256
Currency gains/(losses)	(1,236)	(17,833)
Transaction charges	(25,518)	(26,038)
Net capital gains/(losses)	(25,123,766)	117,980,385

5 PURCHASES, SALES AND TRANSACTION COSTS

	31 July 2019 £	31 July 2018 £
Purchases excluding transaction costs		
Equities	189,620,817	188,398,243
Debt securities	1,199,998	0
Corporate actions	122,394,216	216,944,460
	<u>313,215,031</u>	<u>405,342,703</u>
Equities: Commissions	342,830	381,743
Taxes and other charges	316,524	212,246
Total purchase transaction costs	<u>659,354</u>	<u>593,989</u>
Purchases including transaction costs	313,874,385	405,936,692

Purchase transaction costs expressed as a percentage of the principal amount:

Equities: Commissions	0.18%	0.20%
Taxes and other charges	0.17%	0.11%

Sales excluding transaction costs

Equities	260,206,773	205,498,088
Corporate actions	11,584,205	20,767,488
	<u>271,790,978</u>	<u>226,265,576</u>
Equities: Commissions	(461,890)	(409,954)
Taxes and other charges	(944)	(804)
Total sale transaction costs	<u>(462,834)</u>	<u>(410,758)</u>
Sales net of transaction costs	271,328,144	225,854,818

Sale transaction costs expressed as a percentage of the principal amount:

Equities: Commissions	0.18%	0.20%
Taxes and other charges	0.00%	0.00%

Total purchases and sales transaction costs expressed as a percentage of the average net asset value over the year:

Commissions	0.06%	0.07%
Taxes and other charges	0.03%	0.02%
	<u>0.09%</u>	<u>0.09%</u>

Transaction handling charges

£25,518	£26,038
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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.

Average portfolio dealing spread at the balance sheet date

<u>2.53%</u>	<u>2.43%</u>
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6 REVENUE

	31 July 2019 £	31 July 2018 £
UK dividends	14,453,846	13,494,693
UK dividends (unfranked)	641,839	385,873
Overseas dividends	1,901,604	1,471,462
Overseas dividends (unfranked)	15,040	0
Underwriting commission	39,144	0
Bank interest	122,356	54,410
Total revenue	17,173,829	15,406,438

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2019

7 EXPENSES

	31 July 2019 £	31 July 2018 £
Payable to the authorised fund manager or associate:		
Manager's periodic charge	10,266,820	9,613,371
Registration fees	7,543	7,761
	<u>10,274,363</u>	<u>9,621,132</u>
Payable to the trustee or associate:		
Trustee's fees	273,330	280,280
Safe Custody fees	72,726	64,501
Interest	8	34
	<u>346,064</u>	<u>344,815</u>
Other expenses:		
Financial Conduct Authority fee	158	82
Audit fee	5,220	6,121
	<u>5,378</u>	<u>6,203</u>
Total expenses	<u><u>10,625,805</u></u>	<u><u>9,972,150</u></u>

8 TAXATION

	31 July 2019 £	31 July 2018 £
a Analysis of the tax charge for the year		
Overseas tax	3,760	19,388
Total tax charge	<u><u>3,760</u></u>	<u><u>19,388</u></u>

There is no corporation tax charge for the year (31.07.18 - Nil)

b Factors affecting the tax charge for the year		
Net revenue/(expense) before taxation	6,548,024	5,434,288
Corporation tax at 20%	1,309,605	1,086,858
Effects of:		
Revenue not subject to taxation	(3,271,090)	(2,993,231)
Unrelieved excess management expenses	1,961,485	1,906,373
Overseas tax	3,760	19,388
Current tax charge	<u><u>3,760</u></u>	<u><u>19,388</u></u>

At 31 July 2019 the Fund has deferred tax assets of £8,844,419 (31.07.18 - £6,882,934) arising from surplus management expenses, which have not been recognised due to uncertainty over the availability of future taxable profits.

9 DISTRIBUTIONS

	31 July 2019 £	31 July 2018 £
The distributions take account of revenue added on the issue of units and revenue deducted on the cancellation of units, and comprise:		
Final	6,653,850	6,183,491
Amounts deducted on cancellation of units	295,487	22,910
Amounts added on issue of units	(175,290)	(509,237)
Equalisation on conversions	(66,677)	(24,550)
Revenue brought forward	(54)	(82)
Distributions	<u><u>6,707,316</u></u>	<u><u>5,672,532</u></u>
Net deficit of revenue for the year	(163,052)	(257,632)
Net revenue after taxation for the year	<u><u>6,544,264</u></u>	<u><u>5,414,900</u></u>

Details of the distribution per unit are set out in the distribution table in note 17.

MARLBOROUGH UK MICRO-CAP GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2019

10 DEBTORS

	31 July 2019 £	31 July 2018 £
Amounts receivable for issue of units	698,152	344,805
Sales awaiting settlement	3,839,048	2,549,724
Accrued income	653,141	739,579
Taxation recoverable	8,063	7,844
Total debtors	5,198,404	3,641,952

11 OTHER CREDITORS

	31 July 2019 £	31 July 2018 £
Amounts payable for cancellation of units	2,347,094	744,271
Purchases awaiting settlement	121,618	143,604
Accrued expenses	942,417	1,036,771
Total other creditors	3,411,129	1,924,646

12 COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

As at 31 July 2019 there were contingent liabilities in respect of a placing in IDOX (£500,000).

13 RELATED PARTIES

The 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.

Amounts paid to the manager in respect of the manager's periodic charge and registration fees are disclosed in note 7. The total amounts due to the manager at the year end were as follows:

	31 July 2019 £	31 July 2018 £
Marlborough Fund Managers Ltd	2,526,994	1,321,923

In addition to the above, some units in the Fund are owned by directors of Marlborough Fund Managers Ltd as set out below:

Proportion of units owned by directors of Marlborough Fund Managers Ltd:	0.22%	0.21%
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Distributions were payable on the above holdings at the rates applicable to other unitholders.

14 UNITHOLDERS' FUNDS

The Fund currently has three unit classes; Class A (minimum investment £1,000), Class B (minimum investment £50,000), Class P (minimum investment £1,000,000). The annual management charges are 1.5%, 1.0% and 0.75% respectively.

During the year the authorised fund manager has issued, cancelled and converted units from one unit class to another as set out below:

	Class A	Class B	Class P
Opening units in issue at 1 August 2018	19,937,538	1,714,062	146,547,768
Unit issues	458,246	110,397	8,732,271
Unit cancellations	(1,199,923)	(1,369,040)	(9,370,194)
Unit conversions	(2,252,022)	(17,565)	2,166,341
Closing units in issue at 31 July 2019	<u>16,943,839</u>	<u>437,854</u>	<u>148,076,186</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2019

15 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 £61,130,358 (31.07.18 - £60,257,897). 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 July 2019

	Investments £	Net current assets £	Total £
Australian Dollar	2,083,950	0	2,083,950
Canadian Dollar	14,307,537	0	14,307,537
Euro	11,907,532	8,103	11,915,635
US Dollar	2,265,206	0	2,265,206
	<u>30,564,225</u>	<u>8,103</u>	<u>30,572,328</u>

Foreign currency exposure at 31 July 2018

	Investments £	Net current assets £	Total £
Australian Dollar	7,475,934	0	7,475,934
Canadian Dollar	26,839,907	0	26,839,907
Euro	9,850,437	7,883	9,858,320
US Dollar	1,525,151	0	1,525,151
	<u>45,691,429</u>	<u>7,883</u>	<u>45,699,312</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 £1,528,616 (31.07.18 - £2,284,966). A five per cent increase would have an equal and opposite effect.

Liquidity risk

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

	31 July 2019 £	31 July 2018 £
Within one year:		
Other creditors	3,411,129	1,924,646
	<u>3,411,129</u>	<u>1,924,646</u>

16 FAIR VALUE HIERARCHY FOR INVESTMENTS

	31 July 2019		31 July 2018	
Basis of valuation	Assets (£)	Liabilities (£)	Assets (£)	Liabilities (£)
Level 1 - Quoted prices	1,196,887,192	0	1,186,363,813	0
Level 2 - Observable market data	0	0	0	0
Level 3 - Unobservable data	25,719,975	0	18,793,325	0
	<u>1,222,607,167</u>	<u>0</u>	<u>1,205,157,138</u>	<u>0</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.

MARLBOROUGH UK MICRO-CAP GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2019

FAIR VALUE HIERARCHY FOR INVESTMENTS

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.

Constellation Healthcare Technologies Promissory Notes are unlisted and valued at the expected redemption proceeds.

Conviviality is in administration and valued at zero until further information is received.

Crawshaw Group is in administration and valued at zero until further information is received.

Gable Holdings is delisted and valued at zero until further information is received.

Gloo Networks is in voluntary liquidation and deemed to be valueless.

HaloSource is delisted and valued at zero until further information is received.

HaloSource 'Reg S' is delisted and valued at zero until further information is received.

Infinity Reliance is being valued at cost until the shares are listed.

Lamaune Iron is valued at zero, based on the latest reports from the company .

MJH Group Holdings is a private company and is being valued, based on the latest placement participation.

MJH Group Holdings Convertible Loan Notes 0% 30.11.22 is being priced at par value until maturity.

Moxico Resources is being valued, based on the latest placement allocation.

Normandy shares were received instead of a cash dividend from Impellam and are being priced at the dividend amount until further information is received.

Norseman Gold is in voluntary liquidation and deemed to be valueless.

Okullo is delisted and valued at zero, based on the latest information received.

Oxford Genetics is being valued at cost until the shares are listed.

Patisserie Holdings is in administration and valued at zero until further information is received.

SCA Investments is a private company being valued, based on the price of the latest share placing.

Snoozebox Holdings is in liquidation and valued at zero until further information is received.

Vanoil Energy is suspended and valued at zero until further information is received.

Wilmcote Holdings is being valued at the suspension price pending a potential acquisition.

All holdings of warrants have been valued at the exercise price less the price of the underlying ordinary shares.

17 DISTRIBUTION TABLE

ACCUMULATION UNITS

For the year from 1 August 2018 to 31 July 2019

Group 1: shares purchased prior to 1 August 2018

Group 2: shares purchased on or after 1 August 2018

		Net revenue to 31-Jul-19 pence per unit	Equalisation to 31-Jul-19 pence per unit	Distribution payable 30-Sep-19 pence per unit	Distribution paid 30-Sep-18 pence per unit
Class A	Group 1	0.0000p	0.0000p	0.0000p	0.0000p
	Group 2	0.0000p	0.0000p	0.0000p	0.0000p
Class B	Group 1	2.5969p	0.0000p	2.5969p	2.3427p
	Group 2	1.5641p	1.0328p	2.5969p	2.3427p
Class P	Group 1	4.4858p	0.0000p	4.4858p	4.1920p
	Group 2	2.3915p	2.0943p	4.4858p	4.1920p



Marlborough

— Fund Managers —

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