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THE MARLBOROUGH NO 2 OEIC

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

for the year ended 31 July 2019

THE MARLBOROUGH NO 2 OEIC

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

Investor Support: (0808) 145 2500 (FREEPHONE)

Authorised and regulated by the Financial Conduct Authority.

Depository

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 Advisers

Marlborough Far East Growth Fund
Marlborough Fund Managers Ltd
Marlborough House
59 Chorley New Road
Bolton
BL1 4QP

Marlborough Multi Cap Income Fund and Marlborough Nano-Cap Growth Fund
Hargreave Hale Limited
Talisman House
Boardmans Way
Blackpool
Lancashire
FY4 5FY

Authorised and regulated by the Financial Conduct Authority.

Auditor

Barlow Andrews LLP
Carlyle House
78 Chorley New Road
Bolton
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

THE MARLBOROUGH NO 2 OEIC

CONTENTS	PAGE
AUTHORISED STATUS AND GENERAL INFORMATION	1
AUTHORISED CORPORATE DIRECTOR'S STATEMENT	3
STATEMENT OF THE AUTHORISED CORPORATE DIRECTOR'S RESPONSIBILITIES	3
STATEMENT OF THE DEPOSITARY'S RESPONSIBILITIES AND REPORT OF THE DEPOSITARY	4
INDEPENDENT AUDITOR'S REPORT	5
NOTES TO THE FINANCIAL STATEMENTS – ACCOUNTING, DISTRIBUTION AND RISK MANAGEMENT POLICIES OF THE COMPANY	7
INDIVIDUAL SUB-FUNDS	
MARLBOROUGH FAR EAST GROWTH FUND	11
MARLBOROUGH MULTI CAP INCOME FUND	29
MARLBOROUGH NANO-CAP GROWTH FUND	49
The statements for each of the above sub-funds are set out in the following order:	
AUTHORISED INVESTMENT ADVISER'S REPORT	
COMPARATIVE TABLE	
SYNTHETIC RISK AND REWARD INDICATOR	
PORTFOLIO STATEMENT	
FINANCIAL STATEMENTS	
STATEMENT OF TOTAL RETURN	
STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS	
BALANCE SHEET	
NOTES TO THE FINANCIAL STATEMENTS	

THE MARLBOROUGH NO 2 OEIC

AUTHORISED STATUS AND GENERAL INFORMATION

Authorised status

The Marlborough No 2 OEIC (the Company) is an investment company with variable capital incorporated under the Open Ended Investment Company (OEIC) Regulations 2001. It is a UCITS scheme as defined in the Collective Investment Schemes Sourcebook (COLL) and is an umbrella company for the purposes of the OEIC Regulations. The Company is incorporated in England and Wales with the registration number IC000415 and is authorised and regulated by the Financial Conduct Authority with effect from 21 October 2005. The shareholders are not liable for the debts of the Company.

The sub-funds of the Company are segregated by law under the Protected Cell Regime. In the event that one sub-fund in the Company is unable to meet its liabilities, the assets of another sub-fund within the Company will not be used to settle these liabilities.

The Company currently has three sub-Funds: Marlborough Far East Growth Fund; Marlborough Multi Cap Income Fund; and Marlborough Nano-Cap Growth Fund.

Investment objective

Marlborough Far East Growth Fund

The investment objective of Marlborough Far East Growth Fund is to provide long term capital growth from an actively managed portfolio of securities.

The sub-fund will invest primarily in securities in the Pacific Basin region, excluding Japan, in order to achieve long term capital growth.

The asset classes in which the sub-fund is permitted to invest includes transferable securities, units in collective investment schemes, money market instruments and deposits as permitted for UCITS schemes and in accordance with the Company's investment powers as summarised in the Prospectus. The sub-fund may invest in derivative instruments and forward transactions for the purposes of efficient portfolio management or hedging, as explained further in the Prospectus.

Marlborough Multi Cap Income Fund

The investment objective of Marlborough Multi Cap Income Fund is to seek to generate an attractive and growing level of dividend income in addition to long term capital growth by investing in a diversified portfolio of equities predominantly listed in the UK.

The sub-fund will aim to achieve its objective by investing primarily in the shares of small to medium capitalisation companies where both capital and dividend growth are anticipated. From time to time the sub-fund may also hold the shares of large capitalisation companies as well as cash and money market instruments.

The sub-fund may also invest in other transferable securities including, but not limited to, warrants and government and public securities, and units in collective investment schemes, near cash and deposits. The sub-fund may enter into derivatives and forward transactions for the purposes of efficient portfolio management (including hedging), and may borrow and enter into stock lending arrangements.

It is intended that the sub-fund will be managed so that it is eligible for quotation within The Investment Association's UK Equity Income sector.

Marlborough Nano-Cap Growth Fund

The investment objective of Marlborough Nano-Cap Growth Fund is to seek to provide capital growth in excess of that achieved by the FTSE SmallCap Index (excluding investment companies) over the long term.

The sub-fund will aim to achieve its investment objective by investing primarily in the shares of small, UK listed equities having a market capitalisation of £100 million or less at the time of investment. The sub-fund will be actively managed.

The sub-fund may also invest in other transferable securities including, but not limited to, warrants and government and public securities, money market instruments, units/shares in collective investment schemes, cash and near cash, and deposits. The sub-fund is permitted to invest in derivatives and forward transactions for the purposes of efficient portfolio management (including hedging), and may borrow and enter into stock lending arrangements in accordance with the Regulations.

The sub-fund will invest in very small companies which will have wider bid/offer spreads and may be more volatile than larger companies. This may impact on short term performance. Any investment in this sub-fund should be considered as long term (i.e. over 10 years).

THE MARLBOROUGH NO 2 OEIC

AUTHORISED STATUS AND GENERAL INFORMATION

Rights and terms attaching to each share class

Each share of each class represents a proportional entitlement to the assets of each sub-fund of the Company. The allocation of income and taxation and the rights of each share in the event that a sub-fund is wound up are on the same proportional basis.

Changes in prospectus

With effect from 1 April 2019, the initial service charge that applied to class P shares was removed. An initial service charge will still be applied to class A and class B shares. Details of these charges can be found in the Prospectus.

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

Cross holdings

No sub-funds had holdings in any other sub-funds of the Company at the end of the period.

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 Company				
Senior management	8	676,276	489,569	186,707
Risk takers and other identified staff	14	2,593,224	1,049,670	1,543,554
Allocation of total remuneration of the employees of the AFM to the Company				
Senior management	1.34	192,379	139,267	53,112
Risk takers and other identified staff	11.05	2,475,167	952,266	1,522,901

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 OEIC is based on AUM where staff are not directly allocated to the OEIC. The way these disclosures are calculated may change in the future.

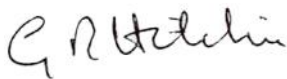
THE MARLBOROUGH NO 2 OEIC

AUTHORISED CORPORATE DIRECTOR'S 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 THE AUTHORISED CORPORATE DIRECTOR'S RESPONSIBILITIES

The Financial Conduct Authority's Collective Investment Schemes Sourcebook (COLL) requires the Authorised Corporate Director (ACD) to prepare financial statements for each accounting year which give a true and fair view of the financial position of the Company and of its net revenue and the net gains/(losses) for the year.

In preparing the Financial Statements the ACD 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 Company will continue in operation.

The ACD is required to keep proper accounting records and to manage the Company in accordance with the COLL rules, the Instrument of Incorporation and the Prospectus. The ACD is responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The ACD 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 ACD to take all necessary steps as a director to familiarise itself with any relevant audit information and to establish that the auditor is aware of that information.

THE MARLBOROUGH NO 2 OEIC

DEPOSITARY'S REPORT TO THE SHAREHOLDERS OF THE MARLBOROUGH NO 2 OEIC

Statement of the Depositary's Responsibilities in Respect of the Scheme and Report of the Depositary to the Shareholders of The Marlborough No 2 OEIC ("the Company") for the period ended 31 July 2019

The Depositary must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI2001/1228), as amended, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Company's Instrument of Incorporation 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 Company and its investors.

The Depositary is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Company in accordance with the Regulations.

The Depositary must ensure that:

- the Company's cash flows are properly monitored and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, repurchase, redemption and cancellation of shares are carried out in accordance with the Regulations;
- the value of the shares of the Company are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
- the Company'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 Company is managed in accordance with the Regulations and Scheme documents in relation to the investment and borrowing powers applicable to the Company.

Having carried out such procedures as we consider necessary to discharge our responsibilities as depositary of the Company it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Company, acting through the AFM:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's income in accordance with the Regulations and the Scheme documents of the Company; and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

HSBC BANK PLC

LONDON

18 September 2019

THE MARLBOROUGH NO 2 OEIC

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE MARLBOROUGH NO 2 OEIC

Opinion

We have audited the financial statements of The Marlborough No 2 OEIC (the 'company') for the period ended 31 July 2019 which comprise the accounting, distribution and risk management policies of the company as described on pages 7 to 10 and the statement of total return, the statement of change in net assets attributable to shareholders, the balance sheet and the notes to the financial statements for each sub-fund. 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 company's affairs as at 31 July 2019 and of its net revenue and net capital gains or losses on the company 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 Instrument of Incorporation.

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 company 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 corporate director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the authorised corporate director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the sub-funds' 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 corporate director 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 corporate director 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.

THE MARLBOROUGH NO 2 OEIC

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE MARLBOROUGH NO 2 OEIC

Matters on which we are required to report by exception

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

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 company have not been kept; or
- the financial statements are not in agreement with those records.

Responsibilities of the authorised corporate director

As explained more fully in the Statement of Authorised Corporate Director's Responsibilities set out on page 3, the authorised corporate director 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 corporate director 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 corporate director is responsible for assessing the company'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 corporate director either intends to liquidate the company 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 company's shareholders, 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 company's shareholders 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 company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

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

18 September 2019

NOTES TO THE FINANCIAL STATEMENTS – ACCOUNTING, DISTRIBUTION AND RISK MANAGEMENT POLICIES OF THE COMPANY

1.1 ACCOUNTING POLICIES

During the period under review the Marlborough No 2 OEIC consisted of three sub-funds: Marlborough Far East Growth Fund, Marlborough Multi Cap Income Fund and Marlborough Nano-Cap Growth Fund.

These accounting policies apply to all the sub-funds of the Company.

a Basis of Preparation

The financial statements have been prepared in compliance with Financial Reporting Standard (FRS) 102 and in accordance with the Statement of Recommended Practice (SORP) 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 sub-funds. 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 are set out below.

b Going concern

The authorised corporate director (ACD) has at the time of approving the financial statements, a reasonable expectation that the Company 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.

Interest on debt securities is recognised on an accruals basis. Accrued interest purchased and sold on debt securities is excluded from the capital cost of these securities and is treated as revenue. Interest earned from debt securities is accounted for on an effective yield basis. Effective yield is where the interest arising on the security that is purchased at a discount or premium to the maturity value is amortised and recognised at a consistent rate over the life of the security.

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 revenue as shown in these accounts.

The ACD's periodic charge for Marlborough Multi Cap Income Fund is treated as a capital expense. This may constrain capital growth.

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 period. 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 sub-funds' 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 a sub-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.

NOTES TO THE FINANCIAL STATEMENTS – ACCOUNTING, DISTRIBUTION AND RISK MANAGEMENT POLICIES OF THE COMPANY

1.1 ACCOUNTING POLICIES

f Valuation of investments

The investments of the sub-funds 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 ACD believes that the quoted price is unreliable, or if no price exists, a valuation technique is used whereby fair value is the ACD's best estimate of a reasonable and fair value for that investment.

Investments in collective investment schemes have been valued at cancellation price for dual priced funds and the single price for single priced funds. These are the last available published prices at the period end.

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 period.

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 ACD 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 sub-funds' financial instruments.

Financial assets are recognised in a sub-fund's balance sheet when the sub-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 shares, 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 a sub-fund's balance sheet when the sub-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 shares 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, a sub-fund's obligations are discharged, cancelled, or they expire.

NOTES TO THE FINANCIAL STATEMENTS – ACCOUNTING, DISTRIBUTION AND RISK MANAGEMENT POLICIES OF THE COMPANY

1.2 DISTRIBUTION POLICIES

a Basis of distribution

The policy of each sub-fund is to distribute any net revenue shown as such in the statement of total return, except for the Marlborough Multi Cap Income Fund. In respect of that sub-fund, the ACD's periodic charge, which is treated as a capital expense, is added back to net revenue in determining the distribution.

Revenue attributable to accumulation shareholders is retained at the end of each distribution period and represents a reinvestment of revenue.

b Apportionment to multiple share classes

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

c Equalisation

Equalisation applies only to shares purchased during the distribution period. It is the average amount of income included in the purchase price of all group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable to UK income tax but must be deducted from the cost of the shares for UK capital gains tax purposes.

1.3 RISK MANAGEMENT POLICIES

In pursuing the investment objectives as set out on page 1, the sub-funds hold a number of financial instruments. The sub-funds' financial instruments comprise securities, together with cash balances, debtors and creditors that arise directly from their 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 sub-funds' financial instruments and the ACD's policies for managing these risks are summarised below. The ACD reviews (and agrees with the Depositary) the policies for managing each of these risks. The policies have remained unchanged since the beginning of the period to which these financial statements relate.

Market price risk

Market price risk is the risk that the value of a sub-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 sub-fund holds. It represents the potential loss the sub-fund might suffer through holding market positions in the face of price movements. The sub-fund's investment portfolio is exposed to market price fluctuations which are monitored by the ACD in pursuance of the investment objective and policy as set out in the Prospectus.

Foreign currency risk

The income and capital value of a sub-fund's investments can be affected by foreign currency translation movements as some or all of a sub-fund's assets and income may be denominated in currencies other than sterling which is the sub-fund's functional currency.

The ACD has identified three areas where foreign currency risk could impact the sub-funds. These are, movements in exchange rates affecting the value of investments, short term timing differences such as exposure to exchange rate movements in the period between when an investment purchase or sale is entered into and the date when settlement of the investment occurs, and finally, movement in exchange rates affecting income received by a sub-fund. The sub-funds convert all receipts of income, received in currency, into sterling of the day of receipt.

To manage foreign currency risk the sub-funds are permitted to invest in forward foreign currency contracts for the purpose of reducing the exposure of the sub-funds to a foreign currency.

The foreign currency exposure within the sub-funds is monitored to ensure that this is manageable and sensible.

NOTES TO THE FINANCIAL STATEMENTS – ACCOUNTING, DISTRIBUTION AND RISK MANAGEMENT POLICIES OF THE COMPANY

1.3 RISK MANAGEMENT POLICIES

Credit and counterparty risk

Certain transactions in securities that the sub-funds enter into expose them to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the sub-funds have fulfilled their responsibilities. The sub-funds only buy and sell investments through brokers which have been approved by the ACD as an acceptable counterparty.

Interest rate risk

Interest rate risk is the risk that the value of a sub-fund's investment holdings will fluctuate as a result of changes in interest rates. The sub-fund's cash holdings are held in deposit accounts, whose rates are determined by the banks concerned on a daily basis.

Liquidity risk

The sub-funds' assets comprise mainly of readily realisable securities. The main liability of the sub-funds is the redemption of any shares that investors wish to sell. Assets of the sub-funds may need to be sold if insufficient cash is available to finance such redemptions. The liquidity of the sub-funds' assets is regularly reviewed by the ACD.

Concentration risk

Some of the underlying collective investment schemes invest solely in certain markets, such as UK shares or fixed interest securities. This allows them to focus on those markets' potential but means that they are not spread amongst a range of markets. Securities in the same market tend to be affected by the same factors, so the collective investment schemes may experience greater fluctuations in price. The asset allocations aim to minimise this risk whenever possible, whilst still meeting the objectives of the sub-funds.

The ACD is obliged through FCA rules to put in place a risk management policy which sets out how the ACD measures and monitors these risks.

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH FAR EAST 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>
Marlborough Far East Growth Fund	7.33%	2.87%	37.86%	64.95%
Quartile Ranking*	4	4	3	2

* Based on ranking within The Investment Association's Asia Pacific ex Japan sector.

Launched 31 October 2005.

External Source of Economic Data: Morningstar (Class P Inc - mid to mid, net income reinvested). Class P shares first priced on 2 January 2013. In the period to that date, past performance information for the Class A shares has been used.



Sally Macdonald

Jing Liang

The last year has seen something of a rollercoaster in Asian and global market performance. It began against a backdrop of a self-inflicted and rapid economic slowdown in China and the start of the Sino-US trade war. China had (quite rightly) sought to limit the wild spread of Peer to Peer lending (P2P), but had been overly heavy-handed in the implementation, which inadvertently catalysed a dramatic credit crunch, starting in March 2018. A massive bureaucratic reorganisation then halted the licensing process for most industries, further limiting economic growth. By the time the period under review started at the end of June, it was already becoming apparent that this had effectively halted construction and consumer purchases of some larger-ticket items, whilst the uncertainty on import tariffs had brought the car markets to a standstill. In trying to help with a stimulus package worth some 1% of GDP, Beijing made things worse, as it directed already

over-extended local governments to increase their debt still further. This, along with a substantial tightening of Communist Party control throughout China, initiated a manufacturing diaspora, which has largely benefited the Association of South East Asian Nations (ASEAN) throughout this period. For North Asia, this dramatic weakening of the Chinese economy and the steadily increasing uncertainty caused by the trade wars, ate into exports, margins and supply chains and increased costs as they sought to shift production to safer locations. The revelations surrounding Huawei, and the subsequent ban on the use of its technology by many countries globally, further decimated the technology-heavy countries in the North of the region. The prospect that North Korea might open up briefly boosted South Korea substantially, but has since faded with the failure of the latest round of talks. India stood relatively aloof from the problems with China and the increasingly global trade wars for most of the period, but suffered its own credit-crunch, as the collapse of a large construction company, IL&FS, decimated the financial sector. Oil prices normalised at the start of 2019, but have since failed to match perceived risk after Iran seized three vessels in the Straits of Hormuz and fell over 12% in US Dollar terms this period.

For most global investors, who measure Asian markets in Dollars, the regional markets have ended this period with a small loss of just over 2%, but for Sterling based investors, the Morningstar Open Index Project Asia ex Japan Net Return Index in Sterling rose by 4.95%. The Fund kept pace with this roller-coaster quite well in the first half of the period, before lagging in the second quarter of 2019. It ended the period up 2.87%.

Countries across the ASEAN proved the best performers this period, led by Indonesia and the Philippines, which rose 23.4% and 18.13 % respectively. In Indonesia, the successful conclusion of first the Asian games in Jakarta and a peaceful election allowed nervous bond-holders to take heart and the currency to firm. Benefiting both from the shift from China and the successful restructuring of the tax and monetary systems by the government and central bank, Indonesia stood out as a natural alternative to China. The Fund's holding in Bank Rakyat fared particularly well in this environment. We took profit after a 45% gain from the start of the period and switched into Bank Mandiri for its better digital policy and greater business-focus instead, which has since appreciated by 15% in Sterling terms.

In Thailand, the economy re-awoke from its hiatus around the death of the King and the long-promised elections finally took place. This lifted confidence in the country and underpinned decisions by Chinese companies to shift production to the established trading estates there. Although the country faces significant competition from Vietnam for much of its manufacturing sector, its pre-eminence in both automotive and medical products have helped attract huge volumes of enquiries at its industrial estates and the Fund's holding in Amata fared exceptionally well, rising by over 41% during this period in Sterling terms.

The Philippines also proved resilient in this period, rising by over 20% as President Duterte's TRAIN tax reforms rebalanced the economy in favour of private consumption and rate adjustments by the central bank gave investors new confidence.

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH FAR EAST GROWTH FUND**

AUTHORISED INVESTMENT ADVISER'S REPORT

for the year ended 31 July 2019

The poorest performing countries in the Fund this year have been Korea, which fell by more than 9% in Sterling terms and Malaysia, which fell by a little under 1%. The last three years have proved to be exceptionally poor for Korea. Not only has the economy had to face the ignominious decline of its heavy industrial sector, but relations with its neighbours have proved particularly damaging and deleterious. In this period, Korean trade with China has still not really recovered adequately after the damage done by the purchase of the US THAAD weapon systems in 2016 and 2017, but now, with the Chinese economy so weak, the electronics and tourist sectors, which had previously held up fairly well, have been hit too. The country travelled all year in the hope that North Korea would reach an agreement with the US to open up. As South Korea did not exist at the end of the Korean war, it is not a signatory to the armistice currently in place and cannot therefore sign a Peace Treaty without the consent of both China and the US. It has spent much of the last year trying to stimulate its economy by boosting the infrastructure which will be needed should the Democratic People's Republic of Korea (DPRK) open, adding roads and train lines in preparation for good news. Sadly, however, at the time of writing, that news still remains delayed. The market fell 9.7% in Sterling terms and our weakest holdings have been Modetour Network and steel maker POSCO.

In the Spring of 2018, Malaysian elections swept to power a new coalition, Pakatan Harapan, led by former Prime Minister Mahathir and his erstwhile arch-rival, Anwar Ibrahim. One of the earliest actions taken by the new government was to cancel all the existing infrastructure contracts for China's Belt and Road Initiative. This decision caused chaos as Malaysia's foreign partners withheld or litigated on contracts for roads and rail and has hung over the country's fortunes all year.

The tightening in political control in China and the trade war have had a major impact on the two largest stocks in the region (and the portfolio) this year. Alibaba, the second largest online merchant globally after Amazon, has struggled with the weakness of the global economy and the general fall from grace of the tech sector, but its domestic arch rival, Tencent, which is China's second largest internet ecosystem and the dominant provider of online gaming and entertainment, was caught out by the political shift to the hard left this year. The reorganisation of all the major Chinese ministries in the second quarter of 2018 saw applications to launch new games pile up unattended and so some of their globally most profitable games went un-monetised in China. Once things did unfreeze, however, political insistence on less violent games produced less popular products and profits have lagged.

There are a wide range of Chinese indices and share types available, from A shares (quoted in Rmb on domestic exchanges) and H shares (quoted in Hong Kong in HK\$) to ADR's listed in New York in US Dollars. This year saw the major global provider of indices, MSCI, announce an accelerated inclusion of the domestic A shares into its wider series. As most foreign investors had previously been unable to access this wider Chinese market – and indeed still are – whether for reasons of regulation, custodial technicalities or corporate governance, many did not react when the indices changed at the start of the period under review. However, in January, after Chinese shares had had such a poor year, investors started to buy. So, when MSCI then announced a rapid acceleration of the index weightings, this catalysed a substantial rally in Chinese stocks. The Fund lagged somewhat in this, as we remained cautious on the outlook for the Chinese economy and the potential for further significant damage from the trade war. Nevertheless, we have seen very strong performance from some of our Chinese holdings in the period under review, with property Developer Longfor up over 48% in the period and Nagacorp, a Cambodian casino operator quoted in HK, rising by more than 51%.

As mentioned above, India has trodden quite a different path this year from the rest of Asia. Falling in price terms over the period and beset by first a banking crisis and then scandals over pledged shares, the country eked out a total return of just over 1%. Analyst expectations proved far away from the reality of trading conditions and most mis-read the election, with few predicting the historic victory of Mahendra Modi. Despite these conditions, the Fund has seen strong returns from its Indian portfolio this period. ICICI Bank led the pack with a rise of over 49%, but was closely followed by IT company Infosys (+30%), Power Grid (+29%) and gold lender Manappuram Finance (+17%).

Looking forward, it is with great sadness that we have to report that the protests currently underway in Hong Kong have turned to violence. At the time of writing, the Mainland government has shown considerable restraint in only showing videos of riot police practising their manoeuvres and troops massing for "exercises" in Shenzhen. It is hard to see an easy way out of the impasse at present, as the protesters have escalated their demands from the easily grantable withdrawal of the proposed extradition treaty to a call for universal suffrage, which neither China, nor the HK Executive will ever grant. Moves like these create buying opportunities for investors, but, at the time of writing, we feel that extreme caution should still be exercised. Beijing will want to settle the problem before the 70th anniversary of the founding of the People's Republic of China on 1st October, so we remain optimistic.

Markets are being roiled globally now by poor economic data, led by Germany and Asia. Corporates generally still remain reluctant to spend more in capital expenditure, principally because of the uncertainty currently being caused by Brexit and trade wars, but that has brought about a rapid supply response in several industries (most notably semiconductors) and improved pricing. By the year end, the UK should have finally either exited the EU, or revoked Article 50, which should generate greater certainty – indeed, some Asian companies are even starting to tell us that they are buying businesses in the UK now. We still face trade wars, the need for North Korean talks to end well and for a resolution to the terrible situation in Hong Kong. Global interest rates have been forced down too far and with recession signals flashing, all seems bleak. But that is not the view from Asia.

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH FAR EAST GROWTH FUND**

AUTHORISED INVESTMENT ADVISER'S REPORT

for the year ended 31 July 2019

Asian governments have announced (and begun to implement) vast stimulus packages, now worth over USD3 trillion in aggregate. This amount equates to more than the combined amounts of the giant Chinese package of 2009, plus all of the first quarter, second quarter and part of the third quarter combined. For China, that money is evenly distributed between consumer and corporate VAT tax reductions and infrastructure projects. In India, its USD1.4trn programme aims to boost farm incomes, improve infrastructure and restructure taxation. Indonesia has aimed at infrastructure and may finally press the button on the relocation of its sinking capital. Thailand, Korea and Malaysia are all targeting rail and roads and the Philippines is restructuring taxation in favour of the consumer. It is inconceivable that this money can be spent without any benefit at all to profits and economies appearing in share prices. Indeed, economic data across Asia have already responded with a faint glimmer of improvement and discussions we have with companies are starting to back that up. Valuations now stand only 6% above the lowest book values seen in 2008 for Asia's regional indices. The darkest hour is always before the dawn.

Marlborough Fund Managers Ltd
14 August 2019

Distributions (pence per share)

	<u>Year 2019</u>	<u>Year 2018</u>	<u>Year 2017</u>	<u>Year 2016</u>
<u>Class A Income</u>				
Income paid 31 March	0.8407	0.6772	0.0000	0.9217
Income paid 30 September	2.3885	2.1885	2.3910	3.9215
<u>Class A Accumulation</u>				
Accumulation paid 31 March	1.0115	0.8120	0.0000	1.0603
Accumulation paid 30 September	2.8864	2.6120	2.8216	4.5263
<u>Class B Income</u>				
Income paid 31 March	1.4182	1.2658	0.4622	1.4360
Income paid 30 September	3.7660	2.8357	2.9999	4.4674
<u>Class B Accumulation</u>				
Accumulation paid 31 March	1.6976	1.5482	0.5056	1.5276
Accumulation paid 30 September	3.6191	3.3642	3.5244	4.6726
<u>Class P Income</u>				
Income paid 31 March	1.6762	1.6105	0.7043	1.5143
Income paid 30 September	3.2461	3.1114	3.2589	4.5396
<u>Class P Accumulation</u>				
Accumulation paid 31 March	1.9271	1.8172	0.7791	1.6221
Accumulation paid 30 September	3.7640	3.5305	3.6230	4.9133

Portfolio changes

Largest purchases	Cost (£)	Largest sales	Proceeds (£)
Want Want China Holdings Ltd	972,764	Bank Rakyat Indonesia (Persero) TBK	726,077
NagaCorp Ltd	931,734	Sands China Ltd	704,566
AAC Technologies Holdings Inc	869,676	D&L Industries Inc	677,594
AMATA Corp NVDR	846,975	China Life Insurance Co Ltd	635,537
Xinyi Glass Holdings Ltd	675,039	DBS Group Holdings Ltd	595,070
Kalbe Farma Tbk	589,763	Samsung Life Insurance Co Ltd	471,092
MODETOUR Network Inc	564,207	PTT Global Chemical PLC - FOR	451,625
Bank Mandiri (Persero) Tbk	509,649	China Railway Signal & Comm Corp Ltd 'H'	427,722
51job Inc	506,846	Wijaya Karya Beton Tbk PT	426,605
AKR Corporindo Tbk	436,052	Nexen Tire Corp	405,518
Other purchases	5,832,727	Other sales	3,218,498
Total purchases for the year	12,735,432	Total sales for the year	8,739,904

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH FAR EAST GROWTH FUND**

COMPARATIVE TABLE

Class A and Class B, income and accumulation shares were launched at 100p on 31 October 2005. Class P, income and accumulation shares became available for purchase on 31 December 2012.

<u>Class A income shares</u>	Year to	Year to	Year to
Change in net assets per share	31.07.2019	31.07.2018	31.07.2017
	pence	pence	pence
Opening net asset value per share	234.20	237.97	181.11
Return before operating charges*	8.47	3.29	63.00
Operating charges	(3.72)	(4.19)	(3.75)
Return after operating charges*	4.75	(0.90)	59.25
Distributions on income shares	(3.23)	(2.87)	(2.39)
Closing net asset value per share	235.72	234.20	237.97

* after direct transaction costs of: 0.22 0.46 0.53

Performance

Return after charges 2.03% -0.38% 32.71%

Other information

Closing net asset value	£5,641,258	£4,448,433	£3,483,967
Closing number of shares	2,393,187	1,899,432	1,464,058
Operating charges	1.66%	1.70%	1.74%
Direct transaction costs	0.10%	0.19%	0.24%

Prices

Highest share price	240.64p	262.20p	243.35p
Lowest share price	203.19p	230.01p	179.60p

Class A accumulation shares

Change in net assets per share	Year to	Year to	Year to
	31.07.2019	31.07.2018	31.07.2017
	pence	pence	pence
Opening net asset value per share	282.01	283.13	213.48
Return before operating charges*	10.26	3.87	74.13
Operating charges	(4.49)	(4.99)	(4.48)
Return after operating charges*	5.77	(1.12)	69.65
Distributions on accumulation shares	(3.90)	(3.42)	(2.82)
Retained distributions on accumulation shares	3.90	3.42	2.82
Closing net asset value per share	287.78	282.01	283.13

* after direct transaction costs of: 0.26 0.55 0.63

Performance

Return after charges 2.05% -0.40% 32.63%

Other information

Closing net asset value	£27,406,228	£24,169,156	£11,093,070
Closing number of shares	9,523,378	8,570,241	3,917,961
Operating charges	1.66%	1.70%	1.74%
Direct transaction costs	0.10%	0.19%	0.24%

Prices

Highest share price	290.83p	311.98p	286.66p
Lowest share price	244.66p	274.40p	211.65p

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH FAR EAST GROWTH FUND**

COMPARATIVE TABLE

<u>Class B income shares</u>	Year to 31.07.2019	Year to 31.07.2018	Year to 31.07.2017
Change in net assets per share	pence	pence	pence
Opening net asset value per share	241.63	245.38	186.80
Return before operating charges*	10.08	3.41	64.78
Operating charges	(2.69)	(3.06)	(2.74)
Return after operating charges*	7.39	0.35	62.04
Distributions on income shares	(5.18)	(4.10)	(3.46)
Closing net asset value per share	243.84	241.63	245.38
* after direct transaction costs of:	0.22	0.48	0.54
Performance			
Return after charges	3.06%	0.14%	33.21%
Other information			
Closing net asset value	£2,438	£1,008	£1,002
Closing number of shares	1,000	417	408
Operating charges	1.16%	1.20%	1.24%
Direct transaction costs	0.10%	0.19%	0.24%
Prices			
Highest share price	250.23p	271.07p	251.50p
Lowest share price	209.81p	237.75p	185.22p
<u>Class B accumulation shares</u>	Year to 31.07.2019	Year to 31.07.2018	Year to 31.07.2017
Change in net assets per share	pence	pence	pence
Opening net asset value per share	285.00	284.72	213.52
Return before operating charges*	10.46	3.84	74.59
Operating charges	(3.18)	(3.56)	(3.39)
Return after operating charges*	7.28	0.28	71.20
Distributions on accumulation shares	(5.32)	(4.91)	(4.03)
Retained distributions on accumulation shares	5.32	4.91	4.03
Closing net asset value per share	292.28	285.00	284.72
* after direct transaction costs of:	0.26	0.56	0.67
Performance			
Return after charges	2.55%	0.10%	33.35%
Other information			
Closing net asset value	£34,401	£34,536	£54,343
Closing number of shares	11,770	12,118	19,086
Operating charges	1.16%	1.20%	1.24%
Direct transaction costs	0.10%	0.19%	0.24%
Prices			
Highest share price	295.38p	314.51p	288.21p
Lowest share price	247.50p	277.22p	211.78p

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH FAR EAST GROWTH FUND**

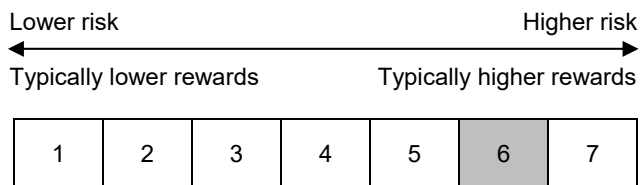
COMPARATIVE TABLE

<u>Class P income shares</u>	Year to 31.07.2019	Year to 31.07.2018	Year to 31.07.2017
Change in net assets per share	pence	pence	pence
Opening net asset value per share	234.54	238.32	181.31
Return before operating charges*	8.55	3.29	63.12
Operating charges	(2.05)	(2.35)	(2.15)
Return after operating charges*	6.50	0.94	60.97
Distributions on income shares	(4.92)	(4.72)	(3.96)
Closing net asset value per share	236.12	234.54	238.32
* after direct transaction costs of:	0.22	0.47	0.53
Performance			
Return after charges	2.77%	0.39%	33.63%
Other information			
Closing net asset value	£5,241,092	£5,851,638	£6,199,934
Closing number of shares	2,219,645	2,494,978	2,601,527
Operating charges	0.91%	0.95%	0.99%
Direct transaction costs	0.10%	0.19%	0.24%
Prices			
Highest share price	241.90p	263.57p	244.53p
Lowest share price	203.79p	231.11p	179.82p
<u>Class P accumulation shares</u>			
Change in net assets per share	Year to 31.07.2019	Year to 31.07.2018	Year to 31.07.2017
	pence	pence	pence
Opening net asset value per share	269.71	268.77	201.14
Return before operating charges*	9.96	3.61	69.99
Operating charges	(2.37)	(2.67)	(2.36)
Return after operating charges*	7.59	0.94	67.63
Distributions on accumulation shares	(5.69)	(5.35)	(4.40)
Retained distributions on accumulation shares	5.69	5.35	4.40
Closing net asset value per share	277.30	269.71	268.77
* after direct transaction costs of:	0.25	0.53	0.58
Performance			
Return after charges	2.81%	0.35%	33.62%
Other information			
Closing net asset value	£9,526,929	£8,619,642	£7,802,713
Closing number of shares	3,435,559	3,195,904	2,903,141
Operating charges	0.91%	0.95%	0.99%
Direct transaction costs	0.10%	0.19%	0.24%
Prices			
Highest share price	280.24p	297.25p	272.05p
Lowest share price	234.33p	262.29p	199.43p

Operating charges are the same as the ongoing charges and are the total expenses paid by each share 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 sub-fund. These amounts are expressed as a percentage of the average net asset value over the period and the average shares in issue for the pence per share figures.

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH FAR EAST GROWTH FUND**

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 sub-fund. It is calculated based on the volatility of the sub-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 sub-fund has been measured as 6 because it has experienced high volatility historically. During the period the synthetic risk and reward indicator changed from 5 to 6.

THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH FAR EAST GROWTH FUND

PORTFOLIO STATEMENT

as at 31 July 2019

Holding or nominal value	Bid value £	Percentage of total net assets %
CHINA/HONG KONG (45.81%, July 2018 - 42.26%)		
8,000 51job Inc	523,426	1.09
152,000 AAC Technologies Holdings Inc	682,357	1.43
12,500 Alibaba Group Holding Ltd - SP ADR	1,788,899	3.74
97,000 ASM Pacific Technology Ltd	939,659	1.96
3,662,000 Bank of China Ltd 'H'	1,230,553	2.57
1,168,000 China Construction Bank Corp 'H'	743,272	1.55
1,151,111 China Everbright International Ltd	840,106	1.76
303,000 China Life Insurance Co Ltd 'H'	641,135	1.34
491,000 China Overseas Land & Investment Ltd	1,386,966	2.90
1,917,000 China Railway Signal & Communication Corp Ltd 'H'	1,054,837	2.20
554,000 Chow Sang Sang Holdings International Ltd	623,644	1.30
1,738,000 CIMC Enric Holdings Ltd	1,040,296	2.17
1,486,000 Haitong International Securities Group Ltd	360,465	0.75
1,440,000 Industrial and Commercial Bank of China Ltd 'H'	801,439	1.67
243,250 Johnson Electric Holdings Ltd	362,211	0.76
314,000 Longfor Group Holdings Ltd	957,873	2.00
943,000 NagaCorp Ltd	1,172,453	2.45
6,667,000 Pacific Basin Shipping Ltd	1,134,169	2.37
1,704,000 PetroChina Co Ltd 'H'	744,381	1.56
531,255 PICC Property & Casualty Co Ltd 'H'	522,727	1.09
67,900 Sunny Optical Technology (Group) Co Ltd	658,831	1.38
39,400 Tencent Holdings Ltd	1,523,394	3.18
1,396,000 Want Want China Holdings Ltd	898,624	1.88
756,000 Xinyi Glass Holdings Ltd	627,958	1.31
74,105 Xtrackers Harvest CSI300 UCITS ETF '1D' USD	669,418	1.40
Total China/Hong Kong	<u>21,929,093</u>	<u>45.81</u>
INDIA (10.81%, July 2018 - 9.55%)		
410,000 Gujarat State Petronet Ltd	1,040,547	2.17
102,520 ICICI Bank Ltd - SPON ADR	1,026,380	2.14
225,000 India Capital Growth Fund Ltd	173,700	0.36
105,400 Infosys Ltd - SP ADR	988,504	2.07
390,000 Manappuram Finance Ltd	528,788	1.11
31,510 NIIT Technologies Ltd	453,206	0.95
380,000 Power Grid Corporation of India Ltd	960,324	2.01
Total India	<u>5,171,449</u>	<u>10.81</u>
INDONESIA (3.39%, July 2018 - 1.79%)		
1,540,000 AKR Corporindo Tbk	360,322	0.75
1,215,000 Bank Mandiri (Persero) Tbk	564,641	1.18
8,118,000 Kalbe Farma Tbk	697,403	1.46
Total Indonesia	<u>1,622,366</u>	<u>3.39</u>
MALAYSIA (1.46%, July 2018 - 3.46%)		
406,000 Alliance Bank Malaysia Bhd	295,182	0.62
748,000 Muhibbah Engineering (M) Bhd	400,797	0.84
Total Malaysia	<u>695,979</u>	<u>1.46</u>
PHILIPPINES (0.82%, July 2018 - 1.46%)		
2,356,000 D&L Industries Inc	391,444	0.82
Total Philippines	<u>391,444</u>	<u>0.82</u>

THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH FAR EAST GROWTH FUND

PORTFOLIO STATEMENT

as at 31 July 2019

Holding or nominal value	Bid value £	Percentage of total net assets %
SINGAPORE (3.33%, July 2018 - 3.58%)		
316,000 ComfortDelGro Corp	514,282	1.07
167,000 Keppel Corp	640,859	1.34
63,351 Oversea-Chinese Banking Corp	439,041	0.92
Total Singapore	<u>1,594,182</u>	<u>3.33</u>
SOUTH KOREA (12.92%, July 2018 - 18.61%)		
24,320 Hyundai Engineering & Construction Co Ltd	728,351	1.52
8,615 Hyundai Motor Co Ltd - 2nd Pref	493,840	1.03
81,177 Industrial Bank of Korea	742,613	1.55
48,000 MODETOUR Network Inc	522,588	1.09
4,840 POSCO	759,269	1.59
22,100 Samsung Electronics Co Ltd	697,225	1.46
44,470 Samsung Electronics Co Ltd - Pref	1,144,650	2.39
14,470 SK hynix Inc	773,096	1.62
17,000 YMT Co Ltd	321,678	0.67
Total South Korea	<u>6,183,310</u>	<u>12.92</u>
TAIWAN (13.91%, July 2018 - 13.16%)		
856,000 CTCI Corp	1,018,530	2.13
342,000 Hon Hai Precision Industry Co Ltd	709,877	1.48
1,269,000 King Yuan Electronics Co Ltd	1,092,195	2.28
491,000 Pacific Hospital Supply Co Ltd	1,056,801	2.21
626,000 Taiwan Hon Chuan Enterprise Co Ltd	907,073	1.90
131,000 Taiwan Semiconductor Manufacturing Co Ltd	897,136	1.87
910,980 WT Microelectronics Co Ltd	974,350	2.04
Total Taiwan	<u>6,655,962</u>	<u>13.91</u>
THAILAND (3.30%, July 2018 - 2.13%)		
1,586,000 AMATA Corp NVDR	1,017,304	2.13
752,000 Hana Microelectronics NVDR	557,721	1.17
Total Thailand	<u>1,575,025</u>	<u>3.30</u>
Portfolio of investments	45,818,810	95.75
Net current assets	<u>2,033,536</u>	<u>4.25</u>
Total net assets	<u>47,852,346</u>	<u>100.00</u>

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH FAR EAST 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)	2		432,819		(1,257,520)
Revenue	4	1,451,481		1,181,357	
Expenses	5	<u>(610,601)</u>		<u>(508,498)</u>	
Net revenue/(expense) before taxation		840,880		672,859	
Taxation	6	<u>(128,436)</u>		<u>(90,397)</u>	
Net revenue/(expense) after taxation			<u>712,444</u>		<u>582,462</u>
Total return before distributions			1,145,263		(675,058)
Distributions	7		(712,444)		(582,462)
Change in net assets attributable to shareholders from investment activities			<u>432,819</u>		<u>(1,257,520)</u>

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the year ended 31 July 2019

	31 July 2019		31 July 2018	
	£	£	£	£
Opening net assets attributable to shareholders		43,124,413		28,635,029
Amounts receivable on issue of shares	9,509,779		16,572,120	
Amounts payable on cancellation of shares	<u>(5,765,562)</u>		<u>(1,282,250)</u>	
Amounts payable on share class conversions	449		3,242	
		3,744,666		15,293,112
Change in net assets attributable to shareholders from investment activities		432,819		(1,257,520)
Retained distribution on accumulation shares		550,412		452,719
Unclaimed distributions		36		1,073
Closing net assets attributable to shareholders		<u>47,852,346</u>		<u>43,124,413</u>

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH FAR EAST GROWTH FUND**

BALANCE SHEET
as at 31 July 2019

	Notes	31 July 2019	31 July 2018
		£	£
Assets:			
Fixed Assets:			
Investments	13	45,818,810	41,400,860
Current Assets:			
Debtors	8	288,201	518,712
Cash and bank balances		1,994,621	1,688,023
Total assets		<u>48,101,632</u>	<u>43,607,595</u>
Liabilities:			
Creditors:			
Distribution payable on income shares		129,251	119,211
Other creditors	9	120,035	363,971
Total liabilities		<u>249,286</u>	<u>483,182</u>
Net assets attributable to shareholders		<u>47,852,346</u>	<u>43,124,413</u>

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH FAR EAST GROWTH FUND**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2019

1 ACCOUNTING, DISTRIBUTION AND RISK MANAGEMENT POLICIES

Please refer to the notes applicable to the Company on pages 7 to 10.

2 NET CAPITAL GAINS/(LOSSES)

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

	31 July 2019 £	31 July 2018 £
Non-derivative securities	422,421	(1,214,750)
Currency gains/(losses)	14,812	(34,301)
Transaction charges	(4,414)	(8,469)
Net capital gains/(losses)	<u>432,819</u>	<u>(1,257,520)</u>

3 PURCHASES, SALES AND TRANSACTION COSTS

(All purchases and sales are in the equity asset class)

	31 July 2019 £	31 July 2018 £
Purchases excluding transaction costs	12,487,904	21,863,466
Corporate actions	228,263	96,362
	<u>12,716,167</u>	<u>21,959,828</u>
Commissions	11,998	35,217
Taxes and other charges	7,267	12,293
Total purchase transaction costs	19,265	47,510
Purchases including transaction costs	<u>12,735,432</u>	<u>22,007,338</u>

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

Commissions	0.10%	0.16%
Taxes and other charges	0.06%	0.06%

Sales excluding transaction costs	8,762,164	7,230,887
Corporate actions	0	12,698
	<u>8,762,164</u>	<u>7,243,585</u>
Commissions	(8,376)	(11,067)
Taxes and other charges	(13,884)	(11,799)
Total sale transaction costs	(22,260)	(22,866)
Sales net of transaction costs	<u>8,739,904</u>	<u>7,220,719</u>

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

Commissions	0.10%	0.15%
Taxes and other charges	0.16%	0.16%

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

Commissions	0.05%	0.13%
Taxes and other charges	0.05%	0.06%
	<u>0.10%</u>	<u>0.19%</u>

Transaction handling charges

	<u>£4,414</u>	<u>£8,469</u>
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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>0.29%</u>	<u>0.27%</u>
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4 REVENUE

	31 July 2019 £	31 July 2018 £
Overseas dividends	1,402,679	1,132,723
Stock dividends	46,253	47,489
Bank interest	2,549	1,145
Total revenue	<u>1,451,481</u>	<u>1,181,357</u>

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH FAR EAST GROWTH FUND**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2019

5 EXPENSES

	31 July 2019	31 July 2018
	£	£
Payable to the ACD or associate:		
ACD's periodic charge	547,424	443,946
Registration fees	7,273	7,654
	<u>554,697</u>	<u>451,600</u>
Payable to the Depositary or associate:		
Depositary's fees	15,414	13,423
Safe Custody fees	30,215	26,583
Interest	0	22
	<u>45,629</u>	<u>40,028</u>
Other expenses:		
Financial Conduct Authority Fee	158	82
Audit fee	4,857	5,752
Tax agent fees	5,260	11,036
	<u>10,275</u>	<u>16,870</u>
Total expenses	<u><u>610,601</u></u>	<u><u>508,498</u></u>

6 TAXATION

	31 July 2019	31 July 2018
	£	£
a Analysis of the tax charge for the year		
Overseas tax	128,436	90,397
Total tax charge	<u><u>128,436</u></u>	<u><u>90,397</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 before taxation	840,880	672,859
Corporation tax at 20%	168,176	134,572
Effects of:		
Revenue not subject to taxation	(289,786)	(236,042)
Unrelieved excess management expenses	121,610	101,470
Overseas tax	128,436	90,397
Current tax charge	<u><u>128,436</u></u>	<u><u>90,397</u></u>

At 31 July 2019 the sub-fund has deferred tax assets of £866,632 (31.07.18 - £745,022) arising from surplus management expenses, which have not been recognised due to uncertainty over the availability of future taxable profits.

7 DISTRIBUTIONS

	31 July 2019	31 July 2018
	£	£
The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:		
Interim	204,922	166,803
Final	533,879	456,315
Amounts deducted on cancellation of shares	18,425	4,642
Amounts added on issue of shares	(45,220)	(48,533)
Equalisation on conversions	449	3,242
Revenue brought forward	(11)	(7)
Distributions	<u><u>712,444</u></u>	<u><u>582,462</u></u>
Net deficit of revenue for the year	0	0
Net revenue after taxation for the year	<u><u>712,444</u></u>	<u><u>582,462</u></u>

Details of the distribution per share are set out in the distribution table in note 14.

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH FAR EAST GROWTH FUND**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2019

8 DEBTORS

	31 July 2019	31 July 2018
	£	£
Amounts receivable for issue of shares	24,375	168,597
Sales awaiting settlement	0	12,572
Accrued income	185,304	292,355
Taxation recoverable	78,522	45,188
Total debtors	<u>288,201</u>	<u>518,712</u>

9 OTHER CREDITORS

	31 July 2019	31 July 2018
	£	£
Amounts payable for cancellation of shares	42,373	51,370
Purchases awaiting settlement	0	219,145
Accrued expenses	77,662	93,456
Total other creditors	<u>120,035</u>	<u>363,971</u>

10 RELATED PARTIES

The ACD is involved in all transactions in the shares of the sub-fund, the aggregate values of which are set out in the statement of change in net assets attributable to shareholders.

Amounts paid to the ACD in respect of the ACD's periodic charge and registration fees are disclosed in note 5. The total amounts due to/(from) the ACD at the year end were as follows:

	31 July 2019	31 July 2018
	£	£
Marlborough Fund Managers Ltd	69,289	(71,885)

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

Proportion of shares owned by directors of Marlborough Fund Managers Ltd	0.33%	0.31%
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Distributions were payable on the above holdings at the rates applicable to other shareholders.

11 SHAREHOLDERS' FUNDS

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

During the year the ACD has issued, cancelled and converted shares from one share class to another as set out below:

Income shares	Class A	Class B	Class P
Opening shares in issue at 1 August 2018	1,899,432	417	2,494,978
Share issues	578,849	990	83,937
Share cancellations	(169,061)	0	(242,847)
Share conversions	83,967	(407)	(116,423)
Closing shares in issue at 31 July 2019	<u>2,393,187</u>	<u>1,000</u>	<u>2,219,645</u>
Accumulation shares	Class A	Class B	Class P
Opening shares in issue at 1 August 2018	8,570,241	12,118	3,195,904
Share issues	1,990,617	0	1,017,362
Share cancellations	(1,248,485)	(20)	(585,844)
Share conversions	211,005	(328)	(191,863)
Closing shares in issue at 31 July 2019	<u>9,523,378</u>	<u>11,770</u>	<u>3,435,559</u>

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH FAR EAST GROWTH FUND**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2019

12 RISK DISCLOSURES

Market price risk sensitivity

A five per cent increase in the market prices of the sub-fund's portfolio would have the effect of increasing the return and net assets by £2,290,940 (31.07.18 - £2,070,043). 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 sub-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 £
Chinese Yuan	0	37,226	37,226
Hong Kong Dollar	18,947,350	106,164	19,053,514
Indian Rupee	2,982,865	0	2,982,865
Indonesian Rupiah	1,622,366	0	1,622,366
Malaysian Ringgit	695,979	0	695,979
Phillipine Peso	391,444	419	391,863
Singapore Dollar	1,594,182	8,023	1,602,205
South Korean Won	6,183,310	22,715	6,206,025
Taiwan Dollar	6,655,962	685,469	7,341,431
Thailand Baht	1,575,025	0	1,575,025
United States Dollar	4,996,627	22,637	5,019,264
	<u>45,645,110</u>	<u>882,653</u>	<u>46,527,763</u>

Foreign currency exposure at 31 July 2018

	Investments £	Net current assets £	Total £
Chinese Yuan	0	151,678	151,678
Hong Kong Dollar	15,901,928	103,360	16,005,288
Indian Rupee	2,635,582	(219,145)	2,416,437
Indonesian Rupiah	773,117	1,254	774,371
Malaysian Ringgit	1,488,962	6,953	1,495,915
Phillipine Peso	629,143	0	629,143
Singapore Dollar	1,547,712	23,564	1,571,276
South Korean Won	8,027,084	22,550	8,049,634
Taiwan Dollar	5,668,626	554,068	6,222,694
Thailand Baht	919,926	0	919,926
United States Dollar	3,808,780	5,112	3,813,892
	<u>41,400,860</u>	<u>649,394</u>	<u>42,050,254</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 £2,326,388 (31.07.18 - £2,102,513). A five per cent increase would have an equal and opposite effect.

Liquidity risk

The following table provides a maturity analysis of the sub-fund's financial liabilities:

	31 July 2019 £	31 July 2018 £
Within one year:		
Distribution payable on income shares	129,251	119,211
Other creditors	120,035	363,971
	<u>249,286</u>	<u>483,182</u>

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH FAR EAST GROWTH FUND**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2019

13 FAIR VALUE HIERARCHY FOR INVESTMENTS

Basis of valuation	31 July 2019		31 July 2018	
	Assets (£)	Liabilities (£)	Assets (£)	Liabilities (£)
Level 1 - Quoted prices	45,818,810	0	41,400,860	0
Level 2 - Observable market data	0	0	0	0
Level 3 - Unobservable data	0	0	0	0
	<u>45,818,810</u>	<u>0</u>	<u>41,400,860</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.

In accordance with FRS102 the sub-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.

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH FAR EAST GROWTH FUND**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2019

14 DISTRIBUTION TABLE

For the period from 1 August 2018 to 31 January 2019

INCOME SHARES

Group 1: shares purchased prior to 1 August 2018

Group 2: shares purchased on or after 1 August 2018

		Net revenue to 31-Jan-19 pence per share	Equalisation to 31-Jan-19 pence per share	Distribution paid 31-Mar-19 pence per share	Distribution paid 31-Mar-18 pence per share
Class A	Group 1	0.8407p	0.0000p	0.8407p	0.6772p
	Group 2	0.0411p	0.7996p	0.8407p	0.6772p
Class B	Group 1	1.4182p	0.0000p	1.4182p	1.2658p
	Group 2	1.4182p	0.0000p	1.4182p	1.2658p
Class P	Group 1	1.6762p	0.0000p	1.6762p	1.6105p
	Group 2	0.4205p	1.2557p	1.6762p	1.6105p

ACCUMULATION SHARES

Group 1: shares purchased prior to 1 August 2018

Group 2: shares purchased on or after 1 August 2018

		Net revenue to 31-Jan-19 pence per share	Equalisation to 31-Jan-19 pence per share	Distribution paid 31-Mar-19 pence per share	Distribution paid 31-Mar-18 pence per share
Class A	Group 1	1.0115p	0.0000p	1.0115p	0.8120p
	Group 2	0.0939p	0.9176p	1.0115p	0.8120p
Class B	Group 1	1.6976p	0.0000p	1.6976p	1.5482p
	Group 2	1.6976p	0.0000p	1.6976p	1.5482p
Class P	Group 1	1.9271p	0.0000p	1.9271p	1.8172p
	Group 2	0.5228p	1.4043p	1.9271p	1.8172p

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH FAR EAST GROWTH FUND**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2019

DISTRIBUTION TABLE

For the period from 1 February 2019 to 31 July 2019

INCOME SHARES

Group 1: shares purchased prior to 1 February 2019

Group 2: shares purchased on or after 1 February 2019

		Net revenue to 31-Jul-19 pence per share	Equalisation to 31-Jul-19 pence per share	Distribution payable 30-Sep-19 pence per share	Distribution paid 30-Sep-18 pence per share
Class A	Group 1	2.3885p	0.0000p	2.3885p	2.1885p
	Group 2	2.0729p	0.3156p	2.3885p	2.1885p
Class B	Group 1	3.7660p	0.0000p	3.7660p	2.8357p
	Group 2	3.7660p	0.0000p	3.7660p	2.8357p
Class P	Group 1	3.2461p	0.0000p	3.2461p	3.1114p
	Group 2	1.8266p	1.4195p	3.2461p	3.1114p

ACCUMULATION SHARES

Group 1: shares purchased prior to 1 February 2019

Group 2: shares purchased on or after 1 February 2019

		Net revenue to 31-Jul-19 pence per share	Equalisation to 31-Jul-19 pence per share	Distribution payable 30-Sep-19 pence per share	Distribution paid 30-Sep-18 pence per share
Class A	Group 1	2.8864p	0.0000p	2.8864p	2.6120p
	Group 2	2.2377p	0.6487p	2.8864p	2.6120p
Class B	Group 1	3.6191p	0.0000p	3.6191p	3.3642p
	Group 2	3.6191p	0.0000p	3.6191p	3.3642p
Class P	Group 1	3.7640p	0.0000p	3.7640p	3.5305p
	Group 2	1.4941p	2.2699p	3.7640p	3.5305p

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH MULTI CAP INCOME 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 Multi Cap Income Fund	5.69%	-2.21%	23.32%	36.29%	125.60%
Quartile Ranking**	3	3	1	2	1

* Launch period ended 30 June 2011.

** Based on ranking within The Investment Association UK Equity Income sector.

External Source of Economic Data: Morningstar (Class P Acc - mid to mid). Class P shares first priced on 2 January 2013. In the period to that date, past performance information for the Class A shares has been used.



Siddarth Chand Lall

The price of the Fund at the end of July 2018 was 219.91p (Class P accumulation shares). The Fund's benchmark, the FTSE All Share Index, was 4253.31 at that time. Since then, the benchmark has fallen to 4134.03 (31 July 2019); a decrease of 2.8%. In comparison, the Fund price decreased to 215.04p (Class P accumulation shares), down 2.2% over the same period. The FTSE All Share Total Return Index is up 1.3% over the year, from 7484.05 to 7579.35.

Since launch to 31 July 2019, the Fund is up 125.6% (based on the Class P accumulation shares) compared with the FTSE All Share Index, up 33.5% (3096.72 to 4134.03). The FTSE All Share Total Return Index is up 79% (4233.69 to 7579.35).

The Fund was marked ex-div on 1 August. The dividend on Class P income shares is 4.4006p, due to be paid at the end of September. This is a 6.3% increase year-on-year (y-o-y). It makes a total dividend per share (for the year to July 2019) of 7.8108p, which is a yield of 4.9% (historic) and 5.2% growth y-o-y. This completes 8 consecutive years of steady dividend growth despite heightened

volatility in the underlying market. There are slight variations in income distribution across the range of share classes, but we focus on the 'P' income share class, the most common held by investors.

The Fund value (based on bid value of investments) at end of July 2018 was £1.66bn. As of the end of July 2019, the Fund value was £1.5bn. The Fund experienced net outflows totalling £64.4m.

Having failed to meet the first Brexit deadline of March 2019, we now have a new Prime Minister in the UK; Boris Johnson has taken a hardline stance with the EU Council and is assuming a 'No-deal' Brexit. Although this does lower the chance of Jeremy Corbyn and his Labour party coming to power in 2019, a general election is quite possible over the next 12 months.

We continue to believe the USD/GBP exchange rate is a good barometer for how the market is pricing in Brexit. Increased uncertainty over whether we will be able to reach a deal with the EU before the October 2019 deadline has seen cable (GBP/USD) fall to \$1.21/£ as we write, having previously traded at \$1.338/£ in March 2019. US-China trade tariffs and a more general atmosphere of protectionism has also created further uncertainty with most companies reporting some form of caution in their outlook statements. In combination, this leaves sterling relatively weak for the remainder of the year. Once there is clarity on Brexit and the 'uncertainties' are known, we believe sterling will begin to recover, other things being equal. However, it is likely to go lower before that. In the meantime, there are some bargains to be had as UK stocks have de-rated significantly without any meaningful alteration to profit expectations.

Small mid cap companies tend to be branded as 'domestic only', yet we have plenty of companies in our portfolio with global revenues – 4imprint, Bioventix, Bloomsbury, Bodycote, Diversified Gas & Oil, DiscoverIE, Zegona, Midwich, Strix, Vesuvius and Somero amongst others. We estimate that approximately 45% of revenues in the Fund are non-UK on a weighted average basis.

As part of our 20% non-UK allowance, we also have some positions in foreign companies direct to include Sanofi, Pfizer, Total and NN Group amongst others. We took profits in Apple and TSMC in April 2019. Although these were quite good total return contributions, their position sizes were relatively small because they are non-core to the UK income strategy.

A weaker sterling rate has also created more of a mergers and acquisitions momentum with a number of our stocks receiving bid approaches. Some of these would have been taken over anyway but the list includes Manx Telecom, BCA Marketplace, Sanderson, RPC and Dairy Crest. Others seem to be consolidating with their UK sectors to follow a 'stronger together' mantra. One Savings Bank and Charter Court merged with each other as did London Metric and Mucklow.

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH MULTI CAP INCOME FUND**

AUTHORISED INVESTMENT ADVISER'S REPORT

for the year ended 31 July 2019

Geopolitics aside, there are many well managed small and mid-cap companies capable of growing both earnings and therefore dividends. We expect our companies to prove their dividend sustainability when times are harder and earnings growth slows. Bioventix increased its interim dividend 20% y-o-y, 4imprint increased its interim dividend 29.5% y-o-y, Polar Capital increased its final dividend 13.6% y-o-y, Intermediate Capital increased its final dividend by 66.7% y-o-y. Somero declared a special dividend along with its final ordinary dividend as it usually does. This was a 65% increase y-o-y despite a weather-related setback in earnings!

The Fund remains well positioned for meeting its Investment Association (IA) yield test objectives.

Hargreave Hale Ltd
7 August 2019

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Distributions (pence per share)

	<u>Year 2019</u>	<u>Year 2018</u>	<u>Year 2017</u>	<u>Year 2016</u>
<u>Class A Income</u>				
Net income paid 31 March	3.2610	3.1684	3.1746	3.3319
Net income paid 30 September	4.2001	3.9837	3.9179	3.7323
<u>Class A Accumulation</u>				
Net income paid 31 March	4.4914	4.1782	3.9975	3.9995
Net income paid 30 September	5.9203	5.3558	5.0401	4.5789
<u>Class B Income</u>				
Net income paid 31 March	3.3682	3.2572	3.2476	3.3919
Net income paid 30 September	4.3506	4.1061	4.0188	3.8100
<u>Class B Accumulation</u>				
Net income paid 31 March	4.4302	4.0974	3.9012	3.8847
Net income paid 30 September	5.8510	5.2665	4.9317	4.4594
<u>Class P Income</u>				
Net income paid 31 March	3.4102	3.2819	3.2645	3.4012
Net income paid 30 September	4.4006	4.1429	4.0450	3.8259
<u>Class P Accumulation</u>				
Net income paid 31 March	4.4763	4.1239	3.9173	3.8909
Net income paid 30 September	5.9099	5.3071	4.9587	4.4732

Portfolio changes

Largest purchases	Cost (£)	Largest sales	Proceeds (£)
Bovis Homes Group	16,689,598	RPC Group	37,541,379
Close Brothers Group	15,977,679	SSE	28,094,617
Cineworld Group	15,488,057	Dairy Crest Group	21,148,472
Mondi	14,960,219	WHSmith	20,858,469
GlaxoSmithKline	13,745,559	Direct Line Insurance Group	19,941,068
Ferguson	13,382,679	Redde	19,212,309
The Vitec Group	12,706,178	Hastings Group Holdings	18,657,394
NN Group	12,362,189	Origin Enterprises	16,419,059
Plus500	12,085,067	Mucklow (A & J) Group	15,909,248
Sabre Insurance Group	11,895,848	Ashmore Group	15,774,513
Other purchases	476,785,624	Other sales	449,352,151
Total purchases for the period	616,078,697	Total sales for the period	662,908,679

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH MULTI CAP INCOME FUND**

COMPARATIVE TABLE

Class A, income and accumulation shares were launched at 100p on 13 June 2011. Class B, income and accumulation shares became available for purchase on 3 November 2011. Class P, income and accumulation shares became available for purchase on 31 December 2012.

<u>Class A income shares</u>	Year to	Year to	Year to
Change in net assets per share	31.07.2019	31.07.2018	31.07.2017
	pence	pence	pence
Opening net asset value per share	160.16	155.20	140.83
Return before operating charges*	(2.53)	14.57	23.79
Operating charges	(2.29)	(2.46)	(2.33)
Return after operating charges*	(4.82)	12.11	21.46
Distributions on income shares	(7.46)	(7.15)	(7.09)
Closing net asset value per share	147.88	160.16	155.20
* after direct transaction costs of:	0.39	0.45	0.44
Performance			
Return after charges	-3.01%	7.80%	15.24%
Other information			
Closing net asset value	£76,332,292	£93,625,531	£85,685,802
Closing number of shares	51,619,184	58,456,957	55,208,903
Operating charges	1.53%	1.53%	1.54%
Direct transaction costs	0.26%	0.28%	0.29%
Prices			
Highest share price	159.22p	168.41p	163.55p
Lowest share price	136.31p	151.44p	141.16p
<u>Class A accumulation shares</u>	Year to	Year to	Year to
Change in net assets per share	31.07.2019	31.07.2018	31.07.2017
	pence	pence	pence
Opening net asset value per share	220.72	204.70	177.36
Return before operating charges*	(3.16)	19.29	30.31
Operating charges	(3.20)	(3.27)	(2.97)
Return after operating charges*	(6.36)	16.02	27.34
Distributions on accumulation shares	(10.41)	(9.53)	(9.04)
Retained distributions on accumulation shares	10.41	9.53	9.04
Closing net asset value per share	214.36	220.72	204.70
* after direct transaction costs of:	0.55	0.60	0.55
Performance			
Return after charges	-2.88%	7.83%	15.41%
Other information			
Closing net asset value	£90,657,641	£115,407,411	£114,295,821
Closing number of shares	42,292,461	52,286,680	55,835,741
Operating charges	1.53%	1.53%	1.54%
Direct transaction costs	0.26%	0.28%	0.29%
Prices			
Highest share price	219.81p	223.10p	210.40p
Lowest share price	187.88p	203.63p	177.76p

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH MULTI CAP INCOME FUND**

COMPARATIVE TABLE

<u>Class B income shares</u>	Year to 31.07.2019	Year to 31.07.2018	Year to 31.07.2017
Change in net assets per share	pence	pence	pence
Opening net asset value per share	165.26	159.36	143.88
Return before operating charges*	(2.58)	14.96	24.36
Operating charges	(1.60)	(1.70)	(1.61)
Return after operating charges*	(4.18)	13.26	22.75
Distributions on income shares	(7.72)	(7.36)	(7.27)
Closing net asset value per share	153.36	165.26	159.36

* after direct transaction costs of: 0.41 0.47 0.45

Performance

Return after charges -2.53% 8.32% 15.81%

Other information

Closing net asset value	£1,334,822	£5,325,982	£5,016,382
Closing number of shares	870,401	3,222,731	3,147,763
Operating charges	1.03%	1.03%	1.04%
Direct transaction costs	0.26%	0.28%	0.29%

Prices

Highest share price	164.29p	173.29p	167.79p
Lowest share price	140.94p	156.00p	144.23p

Class B accumulation shares

Change in net assets per share	Year to 31.07.2019	Year to 31.07.2018	Year to 31.07.2017
	pence	pence	pence
Opening net asset value per share	217.27	200.50	172.87
Return before operating charges*	(3.08)	18.93	29.59
Operating charges	(2.13)	(2.16)	(1.96)
Return after operating charges*	(5.21)	16.77	27.63
Distributions on accumulation shares	(10.28)	(9.36)	(8.83)
Retained distributions on accumulation shares	10.28	9.36	8.83
Closing net asset value per share	212.06	217.27	200.50

* after direct transaction costs of: 0.54 0.59 0.54

Performance

Return after charges -2.40% 8.36% 15.98%

Other information

Closing net asset value	£1,285,980	£1,508,426	£1,683,260
Closing number of shares	606,417	694,272	839,546
Operating charges	1.03%	1.03%	1.04%
Direct transaction costs	0.26%	0.28%	0.29%

Prices

Highest share price	217.18p	219.41p	205.90p
Lowest share price	185.32p	200.11p	173.27p

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH MULTI CAP INCOME FUND**

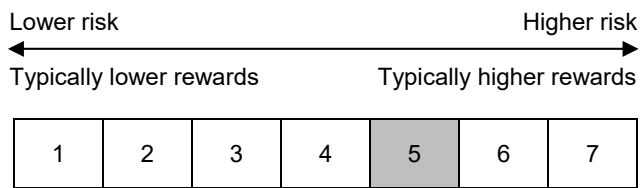
COMPARATIVE TABLE

<u>Class P income shares</u>	Year to 31.07.2019	Year to 31.07.2018	Year to 31.07.2017
Change in net assets per share	pence	pence	pence
Opening net asset value per share	166.83	160.48	144.54
Return before operating charges*	(2.60)	15.07	24.48
Operating charges	(1.22)	(1.30)	(1.23)
Return after operating charges*	(3.82)	13.77	23.25
Distributions on income shares	(7.81)	(7.42)	(7.31)
Closing net asset value per share	155.20	166.83	160.48
* after direct transaction costs of:	0.41	0.47	0.45
Performance			
Return after charges	-2.29%	8.58%	16.09%
Other information			
Closing net asset value	£865,161,140	£938,658,040	£844,341,182
Closing number of shares	557,435,211	562,628,007	526,128,859
Operating charges	0.78%	0.78%	0.79%
Direct transaction costs	0.26%	0.28%	0.29%
Prices			
Highest share price	165.85p	174.70p	168.89p
Lowest share price	142.43p	157.35p	144.90p
<u>Class P accumulation shares</u>			
Change in net assets per share	Year to 31.07.2019	Year to 31.07.2018	Year to 31.07.2017
	pence	pence	pence
Opening net asset value per share	219.06	201.69	173.47
Return before operating charges*	(3.09)	19.02	29.71
Operating charges	(1.62)	(1.65)	(1.49)
Return after operating charges*	(4.71)	17.37	28.22
Distributions on accumulation shares	(10.39)	(9.43)	(8.88)
Retained distributions on accumulation shares	10.39	9.43	8.88
Closing net asset value per share	214.35	219.06	201.69
* after direct transaction costs of:	0.55	0.60	0.54
Performance			
Return after charges	-2.15%	8.61%	16.27%
Other information			
Closing net asset value	£468,424,296	£502,250,925	£455,896,899
Closing number of shares	218,532,505	229,271,918	226,036,922
Operating charges	0.78%	0.78%	0.79%
Direct transaction costs	0.26%	0.28%	0.29%
Prices			
Highest share price	219.38p	221.12p	207.04p
Lowest share price	187.05p	201.50p	173.88p

Operating charges are the same as the ongoing charges and are the total expenses paid by each share 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 sub-fund. These amounts are expressed as a percentage of the average net asset value over the period and the average shares in issue for the pence per share figures.

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH MULTI CAP INCOME FUND**

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 sub-fund. It is calculated based on the volatility of the sub-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 sub-fund has been measured as 5 because it has experienced moderate to high volatility historically. During the period the synthetic risk and reward indicator changed from 4 to 5.

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH MULTI CAP INCOME FUND**

PORTFOLIO STATEMENT

as at 31 July 2019

Holding or nominal value	Bid value £	Percentage of total net assets %
AEROSPACE AND DEFENCE (Nil, July 2018 - 0.54%)		
Total Aerospace and Defence	0	0.00
BANKS (2.24%, July 2018 - 0.98%)		
1,400,000 Close Brothers Group	18,606,000	1.24
28,500,000 Lloyds Banking Group	14,973,900	1.00
Total Banks	33,579,900	2.24
BEVERAGES (0.25%, July 2018 - 0.14%)		
63,750 Nichols	1,125,188	0.07
273,000 Shepherd Neame	2,702,700	0.18
Total Beverages	3,827,888	0.25
CHEMICALS (Nil, July 2018 - 0.63%)		
Total Chemicals	0	0.00
CLOSED END INVESTMENTS (1.13%, July 2018 - 0.49%)		
1,428,571 Gresham House Energy Storage Fund	1,500,000	0.10
575,000 Honeycomb Investment Trust	6,325,000	0.42
1,100,000 P2P Global Investments	9,218,000	0.61
Total Closed End Investments	17,043,000	1.13
CONSTRUCTION AND MATERIALS (5.36%, July 2018 - 4.33%)		
2,300,000 Eurocell	4,830,000	0.32
5,925,000 Forterra	16,471,500	1.10
3,050,000 Ibstock	6,954,000	0.46
1,800,000 Marshalls	11,475,000	0.76
6,000,000 Norcros	12,360,000	0.82
2,264,500 Polypipe Group	9,261,805	0.62
2,711,500 Ricardo	19,197,420	1.28
Total Construction and Materials	80,549,725	5.36
CONSUMER SERVICES (3.06%, July 2018 - 2.40%)		
14,366,265 BCA Marketplace	34,708,896	2.31
4,800,000 RM	11,328,000	0.75
Total Consumer Services	46,036,896	3.06
ELECTRICITY (Nil, July 2018 - 1.90%)		
Total Electricity	0	0.00
ELECTRONIC AND ELECTRICAL EQUIPMENT (1.06%, July 2018 - 1.93%)		
237,755 Solid State	1,093,673	0.07
8,250,000 Strix Group	14,338,500	0.95
28,855 XP Power	582,871	0.04
Total Electronic and Electrical Equipment	16,015,044	1.06
FINANCE AND CREDIT SERVICES (3.31%, July 2018 - 3.90%)		
5,213,409 OneSavings Bank	19,018,516	1.27
7,397,500 Paragon Banking Group	30,684,830	2.04
Total Finance and Credit Services	49,703,346	3.31
FOOD PRODUCERS (2.24%, July 2018 - 2.81%)		
1,000,000 Devro	2,085,000	0.14
353,000 Hilton Food Group	3,325,260	0.22
3,753,884 Tate & Lyle	28,311,793	1.88
Total Food Producers	33,722,053	2.24

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH MULTI CAP INCOME FUND**

PORTFOLIO STATEMENT

as at 31 July 2019

Holding or nominal value	Bid value £	Percentage of total net assets %
GAS, WATER AND MULTI-UTILITIES (2.77%, July 2018 - 3.53%)		
3,394,074 Pennon Group	24,410,180	1.62
850,000 Severn Trent	17,221,000	1.15
Total Gas, Water and Multi-utilities	<u>41,631,180</u>	<u>2.77</u>
GENERAL INDUSTRIALS (3.10%, July 2018 - 5.13%)		
11,500,000 Macfarlane Group	10,925,000	0.73
9,750,000 Smith (DS)	35,558,250	2.37
Total General Industrials	<u>46,483,250</u>	<u>3.10</u>
HOUSEHOLD GOODS AND HOME CONSTRUCTION (4.63%, July 2018 - 3.84%)		
1,500,000 Barratt Developments	9,834,000	0.65
1,550,000 Bovis Homes Group	16,399,000	1.09
901,560 Churchill China	14,154,492	0.94
720,000 Portmeirion Group	7,056,000	0.47
13,350,000 Taylor Wimpey	22,187,700	1.48
Total Household Goods and Home Construction	<u>69,631,192</u>	<u>4.63</u>
INDUSTRIAL ENGINEERING (1.03%, July 2018 - 0.20%)		
1,020,000 Somero Enterprises	2,805,000	0.19
1,106,050 The Vitec Group	12,608,970	0.84
Total Industrial Engineering	<u>15,413,970</u>	<u>1.03</u>
INDUSTRIAL MATERIALS (1.95%, July 2018 - 1.00%)		
1,620,000 Mondi	29,378,700	1.95
Total Industrial Materials	<u>29,378,700</u>	<u>1.95</u>
INDUSTRIAL METALS AND MINING (5.26%, July 2018 - 5.66%)		
6,941,110 Anglo Pacific Group	14,229,275	0.95
3,400,000 Bodycote	25,415,000	1.69
8,658,724 Central Asia Metals	17,793,678	1.18
1,906,231 Hill & Smith Holdings	21,673,846	1.44
Total Industrial Metals and Mining	<u>79,111,799</u>	<u>5.26</u>
INDUSTRIAL SUPPORT SERVICES (5.52%, July 2018 - 4.53%)		
75,000 DCC	5,271,000	0.35
2,750,000 Electrocomponents	16,643,000	1.11
95,000 Ferguson	5,905,200	0.39
310,000 Filta Group Holdings	564,200	0.04
8,500,000 Hays	13,200,500	0.88
3,800,000 Midwich Group	20,596,000	1.37
1,442,000 SThree	4,088,070	0.27
3,300,000 Vesuvius	16,615,500	1.11
Total Industrial Support Services	<u>82,883,470</u>	<u>5.52</u>
INDUSTRIAL TRANSPORTATION (0.21%, July 2018 - 3.24%)		
140,000 Ashtead Group	3,192,000	0.21
Total Industrial Transportation	<u>3,192,000</u>	<u>0.21</u>
INVESTMENT BANKING AND BROKERAGE SERVICES (10.29%, July 2018 - 10.33%)		
400,000 3i Group	4,472,000	0.30
3,200,000 Ashmore Group	17,008,000	1.13
5,372,862 Cenkos Securities	2,686,431	0.18
3,905,000 Finncap Group	976,250	0.06
642,886 IntegraFin Holdings	2,471,897	0.16
2,850,000 Intermediate Capital Group	39,985,500	2.66

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH MULTI CAP INCOME FUND**

PORTFOLIO STATEMENT

as at 31 July 2019

Holding or nominal value	Bid value £	Percentage of total net assets %
INVESTMENT BANKING AND BROKERAGE SERVICES (continued)		
5,300,000 John Laing Group	20,447,400	1.36
750,000 Numis	1,811,250	0.12
7,650,000 Polar Capital Holdings	43,911,000	2.92
5,400,000 Premier Asset Management Group	9,585,000	0.64
3,800,000 Standard Life Aberdeen	11,373,400	0.76
Total Investment Banking and Brokerage Services	<u>154,728,128</u>	<u>10.29</u>
LEISURE GOODS (0.32%, July 2018 - 0.31%)		
108,973 Games Workshop Group	4,884,170	0.32
Total Leisure Goods	<u>4,884,170</u>	<u>0.32</u>
LIFE INSURANCE (5.34%, July 2018 - 4.55%)		
7,200,000 Chesnara	24,516,000	1.63
5,475,000 Phoenix Group Holdings	38,149,800	2.54
1,800,000 St. James's Place	17,658,000	1.17
Total Life Insurance	<u>80,323,800</u>	<u>5.34</u>
MEDIA (1.73%, July 2018 - 0.86%)		
100,000 4imprint Group	2,840,000	0.19
4,313,776 Bloomsbury Publishing	10,094,236	0.67
250,000 Informa	2,187,500	0.15
5,620,627 ITE Group	4,176,126	0.28
1,800,000 STV Group	6,678,000	0.44
Total Media	<u>25,975,862</u>	<u>1.73</u>
NON-LIFE INSURANCE (0.75%, July 2018 - 2.65%)		
4,224,000 Sabre Insurance Group	11,235,840	0.75
Total Non-life Insurance	<u>11,235,840</u>	<u>0.75</u>
NON-RENEWABLE ENERGY (4.62%, July 2018 - 4.16%)		
3,100,000 BP	17,022,100	1.13
20,500,000 Diversified Gas & Oil	21,320,000	1.42
1,200,000 Royal Dutch Shell 'B'	31,188,000	2.07
Total Non-Renewable Energy	<u>69,530,100</u>	<u>4.62</u>
PERSONAL CARE, DRUG AND GROCERY STORES (0.58%, July 2018 - 0.39%)		
50,000 Greggs	1,126,000	0.07
3,425,000 Tesco	7,648,025	0.51
Total Personal Care, Drug and Grocery Stores	<u>8,774,025</u>	<u>0.58</u>
PERSONAL GOODS (Nil, July 2018 - 0.35%)		
Total Personal Goods	<u>0</u>	<u>0.00</u>
PHARMACEUTICALS, BIOTECHNOLOGY AND MARIJUANA PRODUCERS (2.43%, July 2018 - 0.68%)		
209,000 Anpario	710,600	0.05
100,000 AstraZeneca	7,061,000	0.47
198,126 Bioventix	7,291,037	0.49
1,250,000 GlaxoSmithKline	21,302,500	1.42
Total Pharmaceuticals, Biotechnology and Marijuana Producers	<u>36,365,137</u>	<u>2.43</u>
REAL ESTATE INVESTMENT AND SERVICES (1.50%, July 2018 - 1.54%)		
1,975,000 Belvoir Group	2,231,750	0.15
7,750,000 Boot (Henry)	18,987,500	1.26
1,167,500 M Winkworth	1,284,250	0.09
Total Real Estate Investment and Services	<u>22,503,500</u>	<u>1.50</u>

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH MULTI CAP INCOME FUND**

PORTFOLIO STATEMENT

as at 31 July 2019

Holding or nominal value	Bid value £	Percentage of total net assets %
REAL ESTATE INVESTMENT TRUSTS (7.75%, July 2018 - 8.03%)		
3,950,000 Big Yellow Group	39,065,500	2.60
11,167,500 LondonMetric Property	22,737,030	1.51
4,200,000 Safestore Holdings	26,313,000	1.75
1,095,890 Secure Income REIT	4,558,902	0.30
14,001,484 Supermarket Income REIT	14,561,543	0.97
575,000 Unite Group	6,008,750	0.40
3,162,621 Warehouse REIT	3,225,873	0.22
Total Real Estate Investment Trusts	<u>116,470,598</u>	<u>7.75</u>
RETAILERS (2.94%, July 2018 - 5.18%)		
550,000 Dunelm Group	5,035,250	0.34
600,000 Howden Joinery Group	3,288,000	0.22
300,000 Next	18,258,000	1.21
1,531,465 Vertu Motors	566,642	0.04
800,000 WHSmith	17,024,000	1.13
Total Retailers	<u>44,171,892</u>	<u>2.94</u>
SOFTWARE AND COMPUTER SERVICES (1.10%, July 2018 - 0.53%)		
960,000 FDM Group (Holdings)	7,872,000	0.52
825,000 Oxford Metrics	709,500	0.05
3,792,500 Sanderson Group	4,626,850	0.31
350,000 Softcat	3,363,500	0.22
Total Software and Computer Services	<u>16,571,850</u>	<u>1.10</u>
TECHNOLOGY HARDWARE AND EQUIPMENT (0.92%, July 2018 - 0.53%)		
3,142,869 discoverIE Group	13,765,766	0.92
Total Technology Hardware and Equipment	<u>13,765,766</u>	<u>0.92</u>
TELECOMMUNICATIONS SERVICE PROVIDERS (3.26%, July 2018 - 2.66%)		
915,932 Maintel Holdings	3,993,464	0.27
2,369,255 Telecom Plus	31,558,477	2.10
13,133,810 Zegona Communications	13,396,486	0.89
Total Telecommunications Service Providers	<u>48,948,427</u>	<u>3.26</u>
TRAVEL AND LEISURE (5.83%, July 2018 - 3.82%)		
14,500,000 Cineworld Group	37,149,000	2.47
2,245,371 Hollywood Bowl Group	4,827,548	0.32
4,600,000 National Express Group	19,145,200	1.27
1,268,750 PPHE Hotel Group	23,471,875	1.56
1,357,500 Ten Entertainment Group	3,203,700	0.21
Total Travel and Leisure	<u>87,797,323</u>	<u>5.83</u>
OVERSEAS SECURITIES (6.03%, July 2018 - 4.85%)		
100,000 Dalata Hotel Group	431,094	0.03
475,000 Equinor	7,031,356	0.47
200,000 FBD Holdings	1,718,877	0.11
100,000 Lundin Petroleum	2,612,979	0.17
605,000 NN Group	18,969,132	1.26
850,000 Origin Enterprises	3,894,045	0.26
100,000 Pfizer	3,190,038	0.21
3,600,000 Princess Private Equity Holding	31,731,430	2.11
50,000 Sanofi	3,411,642	0.23
410,000 Total	17,672,964	1.18
Total Overseas Securities	<u>90,663,557</u>	<u>6.03</u>

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH MULTI CAP INCOME FUND**

PORTFOLIO STATEMENT

as at 31 July 2019

Holding or nominal value	Bid value £	Percentage of total net assets %
UNQUOTED SECURITIES (0.07%, July 2018 - 0.00%)		
6,238,672 Conviviality	0	0.00
1,000,000 MJH Group Holdings Convertible Loan Notes 10% 29.11.22	1,000,000	0.07
Total Unquoted Securities	<u>1,000,000</u>	<u>0.07</u>
Portfolio of investments	1,481,913,388	98.58
Net current assets	<u>21,282,783</u>	1.42
Total net assets	<u><u>1,503,196,171</u></u>	<u><u>100.00</u></u>

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH MULTI CAP INCOME FUND**

STATEMENT OF TOTAL RETURN

for the year ended 31 July 2019

	Notes	31 July 2019		31 July 2018	
		£	£	£	£
Income:					
Net capital gains/(losses)	2		(104,969,452)		71,119,640
Revenue	4	78,839,017		72,295,598	
Expenses	5	<u>(13,433,772)</u>		<u>(13,854,886)</u>	
Net revenue/(expense) before taxation		65,405,245		58,440,712	
Taxation	6	<u>(406,738)</u>		<u>(224,698)</u>	
Net revenue/(expense) after taxation			<u>64,998,507</u>		<u>58,216,014</u>
Total return before distributions			(39,970,945)		129,335,654
Distributions	7		(76,835,541)		(70,647,130)
Change in net assets attributable to shareholders from investment activities			<u>(116,806,486)</u>		<u>58,688,524</u>

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the year ended 31 July 2019

	31 July 2019		31 July 2018	
	£	£	£	£
Opening net assets attributable to shareholders		1,656,776,315		1,506,919,346
Amounts receivable on issue of shares	43,056,012		100,766,959	
Amounts payable on cancellation of shares	(107,516,534)		(36,183,213)	
Amounts payable on share class conversions	<u>(150)</u>		<u>53</u>	
		(64,460,672)		64,583,799
Change in net assets attributable to shareholders from investment activities		(116,806,486)		58,688,524
Retained distribution on accumulation shares		27,686,701		26,584,516
Unclaimed distributions		313		130
Closing net assets attributable to shareholders		<u>1,503,196,171</u>		<u>1,656,776,315</u>

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH MULTI CAP INCOME FUND**

BALANCE SHEET

as at 31 July 2019

	Notes	31 July 2019	31 July 2018
		£	£
Assets:			
Fixed Assets:			
Investments	13	1,481,913,388	1,633,554,914
Current Assets:			
Debtors	8	7,213,739	14,833,319
Cash and bank balances		48,338,528	42,218,680
Total assets		<u>1,537,465,655</u>	<u>1,690,606,913</u>
Liabilities:			
Creditors:			
Distribution payable on income shares		26,736,763	25,770,525
Other creditors	9	7,532,721	8,060,073
Total liabilities		<u>34,269,484</u>	<u>33,830,598</u>
Net assets attributable to shareholders		<u>1,503,196,171</u>	<u>1,656,776,315</u>

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH MULTI CAP INCOME FUND**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2019

1 ACCOUNTING, DISTRIBUTION AND RISK MANAGEMENT POLICIES

Please refer to the notes applicable to the Company on pages 7 to 10.

2 NET CAPITAL GAINS/(LOSSES)

31 July 2019 **31 July 2018**
£ £

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

Non-derivative securities	(104,811,545)	71,166,275
Currency gains/(losses)	(133,549)	(23,420)
Transaction charges	(24,358)	(23,215)
Net capital gains/(losses)	(104,969,452)	71,119,640

3 PURCHASES, SALES AND TRANSACTION COSTS

31 July 2019 **31 July 2018**
£ £

Purchases excluding transaction costs		
Equities	588,831,245	633,571,609
Debt securities	1,000,000	0
Corporate actions	23,045,921	58,807,180
	<u>612,877,166</u>	<u>692,378,789</u>
Equities: Commissions	788,066	974,341
Taxes and other charges	2,413,465	2,469,006
Total purchase transaction costs	<u>3,201,531</u>	<u>3,443,347</u>
Purchases including transaction costs	<u>616,078,697</u>	<u>695,822,136</u>

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

Equities: Commissions	0.13%	0.15%
Taxes and other charges	0.41%	0.39%

Sales excluding transaction costs

Equities	649,932,755	607,940,507
Corporate actions	13,834,629	9,156,585
	<u>663,767,384</u>	<u>617,097,092</u>
Equities: Commissions	(857,451)	(1,006,716)
Taxes and other charges	(1,254)	(2,660)
Total sale transaction costs	<u>(858,705)</u>	<u>(1,009,376)</u>
Sales net of transaction costs	<u>662,908,679</u>	<u>616,087,716</u>

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

Equities: Commissions	0.13%	0.17%
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	0.10%	0.12%
Taxes and other charges	0.16%	0.16%
	<u>0.26%</u>	<u>0.28%</u>

Transaction handling charges

£24,358 **£23,215**

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 0.67% 0.80%

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH MULTI CAP INCOME FUND**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2019

4 REVENUE

	31 July 2019	31 July 2018
	£	£
UK dividends	60,706,818	55,661,989
UK dividends (unfranked)	5,462,844	5,225,220
Overseas dividends	12,575,739	11,296,139
Interest on debt securities	42,391	0
Underwriting and other commission	(26,157)	88,224
Bank interest	77,382	24,026
Total revenue	<u><u>78,839,017</u></u>	<u><u>72,295,598</u></u>

5 EXPENSES

	31 July 2019	31 July 2018
	£	£
Payable to the ACD or associate:		
ACD's periodic charge	13,009,659	13,409,165
Registration fees	9,833	10,041
	<u>13,019,492</u>	<u>13,419,206</u>
Payable to the Depositary or associate:		
Depositary's fees	307,945	334,322
Safe Custody fees	100,414	91,451
Interest	543	3,721
	<u>408,902</u>	<u>429,494</u>
Other expenses:		
Financial Conduct Authority Fee	158	82
Audit fee	5,220	6,104
	<u>5,378</u>	<u>6,186</u>
Total expenses	<u><u>13,433,772</u></u>	<u><u>13,854,886</u></u>

6 TAXATION

	31 July 2019	31 July 2018
	£	£
a Analysis of the tax charge for the year		
Overseas tax	406,738	224,698
Total tax charge	<u><u>406,738</u></u>	<u><u>224,698</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 before taxation	65,405,245	58,440,712
Corporation tax at 20%	13,081,049	11,688,142
Effects of:		
Revenue not subject to taxation	(14,656,511)	(13,391,626)
Unrelieved excess management expenses	1,575,462	1,703,484
Overseas tax	406,738	224,698
Current tax charge	<u><u>406,738</u></u>	<u><u>224,698</u></u>

At 31 July 2019 the sub-fund has deferred tax assets of £10,043,005 (31.07.18 - £8,468,929) arising from surplus management expenses, which have not been recognised due to uncertainty over the availability of future taxable profits.

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH MULTI CAP INCOME FUND**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2019

7 DISTRIBUTIONS

	31 July 2019	31 July 2018
	£	£
The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:		
Interim	33,661,711	30,892,441
Final	42,191,384	40,775,194
Amounts deducted on cancellation of shares	1,609,684	291,178
Amounts added on issue of shares	(626,713)	(1,311,638)
Equalisation on conversions	(150)	53
Revenue brought forward	(375)	(98)
Distributions	<u><u>76,835,541</u></u>	<u><u>70,647,130</u></u>
Movement between net revenue and distributions:		
Net revenue after taxation	64,998,507	58,216,014
Add: ACD's periodic charge borne by capital	13,009,659	13,409,165
Deduct: Tax effect of ACD's periodic charge borne by capital	(1,172,625)	(978,049)
	<u><u>76,835,541</u></u>	<u><u>70,647,130</u></u>

Details of the distribution per share are set out in the distribution table in note 14.

8 DEBTORS

	31 July 2019	31 July 2018
	£	£
Amounts receivable for issue of shares	97,262	4,937,271
Sales awaiting settlement	2,151,270	1,343,734
Accrued income	4,761,284	8,450,866
Taxation recoverable	203,923	101,448
Total debtors	<u><u>7,213,739</u></u>	<u><u>14,833,319</u></u>

9 OTHER CREDITORS

	31 July 2019	31 July 2018
	£	£
Amounts payable for cancellation of shares	1,944,624	33,147
Purchases awaiting settlement	4,410,233	6,694,384
Accrued expenses	1,177,864	1,332,542
Total other creditors	<u><u>7,532,721</u></u>	<u><u>8,060,073</u></u>

10 RELATED PARTIES

The ACD is involved in all transactions in the shares of the sub-fund, the aggregate values of which are set out in the statement of change in net assets attributable to shareholders.

Amounts paid to the ACD in respect of the ACD's periodic charge and registration fees are disclosed in note 5. The total amounts due to/(from) the ACD at the year end were as follows:

	31 July 2019	31 July 2018
	£	£
Marlborough Fund Managers Ltd	2,945,992	(3,704,024)

In addition to the above, some shares in the sub-fund are owned by directors of Marlborough Fund Managers Ltd or directors of UFC Fund Management plc, the ultimate parent company of Marlborough Fund Managers Ltd, as set out below:

Proportion of units owned by directors of Marlborough Fund Managers Ltd or UFC Fund Management plc	0.04%	0.04%
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Distributions were payable on the above holdings at the rates applicable to other shareholders.

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH MULTI CAP INCOME FUND**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2019

11 SHAREHOLDERS' FUNDS

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

During the year the ACD has issued, cancelled and converted shares from one share class to another as set out below:

Income shares	Class A	Class B	Class P
Opening shares in issue at 1 August 2018	58,456,957	3,222,731	562,628,007
Share issues	2,576,607	14,440	17,307,495
Share cancellations	(3,689,277)	(336,835)	(34,974,753)
Share conversions	(5,725,103)	(2,029,935)	12,474,462
Closing shares in issue at 31 July 2019	51,619,184	870,401	557,435,211

Accumulation shares	Class A	Class B	Class P
Opening shares in issue at 1 August 2018	52,286,680	694,272	229,271,918
Share issues	815,517	23,405	5,134,257
Share cancellations	(4,090,796)	(94,114)	(18,835,404)
Share conversions	(6,718,940)	(17,146)	2,961,734
Closing shares in issue at 31 July 2019	42,292,461	606,417	218,532,505

12 RISK DISCLOSURES

Market price risk sensitivity

A five per cent increase in the market prices of the sub-fund's portfolio would have the effect of increasing the return and net assets by £74,095,669 (31.07.18 - £81,677,746). 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 sub-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 £
Euro	77,829,184	215,144	78,044,328
Norwegian Krona	7,031,356	57,585	7,088,941
Swedish Krona	2,612,979	0	2,612,979
Swiss Franc	0	82,703	82,703
US Dollar	3,190,038	(1,078,778)	2,111,260
	90,663,557	(723,346)	89,940,211

Foreign currency exposure at 31 July 2018

	Investments £	Net current assets £	Total £
Euro	63,871,631	2,051,647	65,923,278
Norwegian Krona	1,009,851	(1,011,475)	(1,624)
Swedish Krona	4,071,432	0	4,071,432
Swiss Franc	10,173,697	1,104,040	11,277,737
US Dollar	1,077,044	166,369	1,243,413
	80,203,655	2,310,581	82,514,236

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH MULTI CAP INCOME FUND**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2019

RISK DISCLOSURES

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 £4,497,011 (31.07.18 - £4,125,712). A five per cent increase would have an equal and opposite effect.

Liquidity risk

The following table provides a maturity analysis of the sub-fund's financial liabilities:

	31 July 2019	31 July 2018
	£	£
Within one year:		
Distribution payable on income shares	26,736,763	25,770,525
Other creditors	7,532,721	8,060,073
	<u>34,269,484</u>	<u>33,830,598</u>

13 FAIR VALUE HIERARCHY FOR INVESTMENTS

Basis of valuation	31 July 2019		31 July 2018	
	Assets (£)	Liabilities (£)	Assets (£)	Liabilities (£)
Level 1 - Quoted prices	1,480,913,388	0	1,633,554,914	0
Level 2 - Observable market data	0	0	0	0
Level 3 - Unobservable data	1,000,000	0	0	0
	<u>1,481,913,388</u>	<u>0</u>	<u>1,633,554,914</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.

In accordance with FRS102 the sub-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.

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

MJH Group Holdings Convertible Loan Notes 10% 29.11.22 is being priced at par value until maturity.

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH MULTI CAP INCOME FUND**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2019

14 DISTRIBUTION TABLE

For the period from 1 August 2018 to 31 January 2019

INCOME SHARES

Group 1: shares purchased prior to 1 August 2018

Group 2: shares purchased on or after 1 August 2018

		Net revenue to 31-Jan-19 pence per share	Equalisation to 31-Jan-19 pence per share	Distribution paid 31-Mar-19 pence per share	Distribution paid 31-Mar-18 pence per share
Class A	Group 1	3.2610p	0.0000p	3.2610p	3.1684p
	Group 2	1.6982p	1.5628p	3.2610p	3.1684p
Class B	Group 1	3.3682p	0.0000p	3.3682p	3.2572p
	Group 2	1.2381p	2.1301p	3.3682p	3.2572p
Class P	Group 1	3.4102p	0.0000p	3.4102p	3.2819p
	Group 2	1.4491p	1.9611p	3.4102p	3.2819p

ACCUMULATION SHARES

Group 1: shares purchased prior to 1 August 2018

Group 2: shares purchased on or after 1 August 2018

		Net revenue to 31-Jan-19 pence per share	Equalisation to 31-Jan-19 pence per share	Distribution paid 31-Mar-19 pence per share	Distribution paid 31-Mar-18 pence per share
Class A	Group 1	4.4914p	0.0000p	4.4914p	4.1782p
	Group 2	2.3914p	2.1000p	4.4914p	4.1782p
Class B	Group 1	4.4302p	0.0000p	4.4302p	4.0974p
	Group 2	3.6094p	0.8208p	4.4302p	4.0974p
Class P	Group 1	4.4763p	0.0000p	4.4763p	4.1239p
	Group 2	2.0953p	2.3810p	4.4763p	4.1239p

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH MULTI CAP INCOME FUND**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2019

DISTRIBUTION TABLE

For the period from 1 February 2019 to 31 July 2019

INCOME SHARES

Group 1: shares purchased prior to 1 February 2019

Group 2: shares purchased on or after 1 February 2019

		Net revenue to 31-Jul-19 pence per share	Equalisation to 31-Jul-19 pence per share	Distribution payable 30-Sep-19 pence per share	Distribution paid 30-Sep-18 pence per share
Class A	Group 1	4.2001p	0.0000p	4.2001p	3.9837p
	Group 2	1.8459p	2.3542p	4.2001p	3.9837p
Class B	Group 1	4.3506p	0.0000p	4.3506p	4.1061p
	Group 2	0.4562p	3.8944p	4.3506p	4.1061p
Class P	Group 1	4.4006p	0.0000p	4.4006p	4.1429p
	Group 2	2.4853p	1.9153p	4.4006p	4.1429p

ACCUMULATION SHARES

Group 1: shares purchased prior to 1 February 2019

Group 2: shares purchased on or after 1 February 2019

		Net revenue to 31-Jul-19 pence per share	Equalisation to 31-Jul-19 pence per share	Distribution payable 30-Sep-19 pence per share	Distribution paid 30-Sep-18 pence per share
Class A	Group 1	5.9203p	0.0000p	5.9203p	5.3558p
	Group 2	3.2882p	2.6321p	5.9203p	5.3558p
Class B	Group 1	5.8510p	0.0000p	5.8510p	5.2665p
	Group 2	1.7530p	4.0980p	5.8510p	5.2665p
Class P	Group 1	5.9099p	0.0000p	5.9099p	5.3071p
	Group 2	3.1758p	2.7341p	5.9099p	5.3071p

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH NANO-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 Nano-Cap Growth Fund	9.29%	1.13%	70.17%	78.15%	89.83%
Quartile Ranking**	2	1	1	1	1

* Launched ended 31 October 2013.

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

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

For the year to 31 July 2019 our Nanocap Fund produced a material outperformance with the P shares up 1.1%, compared to falls of 12.4% and 14.8% for the FTSE Small-Cap Ex IT and AIM All-Share respectively.

As expected during a period of broad market weakness, the numbers of holdings which were down far exceeded the number of winners by approximately 2:1 (101:52). In terms of significant moves, there was some narrowing of the gap; with the number of stocks up in excess of 20% standing at 30, compared to the 58 positions which fell by the same amount or greater.



Giles Hargreave

Guy Feld

David Walton

Whilst the portfolio largely consisted of positions which were down over the year, the Fund's outperformance can largely be attributed to several significant holdings which produced material returns.

Our most notable contributor was the online media specialist Future (+166.0%). Through a series of successful strategic acquisitions, the company continues to outperform market expectations. Whilst the shares were not our biggest riser per se, its weighting within the Fund contributed significantly. It was also a position in which we both added to and took profits from, with our sales representing over 4x the total investment we made into the company this year. It still remains one of our largest positions.

The biggest riser over the period was Manolete Partners (+204.0%). 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. Other notable performers include mining companies Ero Copper (+190.0%) and Anglo Asian Mining (+189.0%), alongside the automotive robotics specialist AB Dynamics (+106.0%).

Regarding losers, our biggest detractor was the software provider Maestrano (-89.0%) after it lost its most significant contract shortly after coming to the market. Security software specialist Albert Technology (-89.0%) fell after issuing a number of disappointing trading updates. Other notable detractors include GRC International (-85.0%), DP Poland (-75.0%) and Tasty (-74.0%).

We participated in a number of Initial Public Offerings (IPOs) this year, with the most prominent being the aforementioned Manolete Partners which has performed exceptionally as well as essensys (+23.0%), who provide software to shared workplace providers. There were also several takeovers with the most prominent being the decontamination company Bioquell (+40.4%). The total purchases for the year stood at £61.3m, with the Fund initiating new positions in companies such as Ten Lifestyle, Sopheon and Jubilee Metals. Total sales amounted to £59.8m as we took some profits in Future and Bushveld whilst receiving proceeds from the takeovers of Bioquell and EU-Supply.

Over the period we saw no resolution to the political and macroeconomic concerns noted in our last annual report. Trade disputes between the US and China continue and the impasse of Brexit continues at least until 31 October this year. These reasons have helped contribute to the decisions made by the IMF (International Monetary Fund), the World Bank and OECD (Organisation for Economic Co-operation and Development) to cut their global growth estimates for 2019.

Despite this relatively challenging environment, we continue to see many UK smaller companies offering a range of niche products and services, which differentiate themselves whilst competing on a global scale; many of which are valued highly by their customers. We believe this will remain the case despite periods of economic uncertainty. With our Nanocap Fund holding approximately 8.5% in cash, it remains well placed to capitalise on any indiscriminate selling whilst supporting these companies with their future ambitions.

Hargreave Hale Ltd
22 August 2019

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**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH NANO-CAP GROWTH FUND**

AUTHORISED INVESTMENT ADVISER'S REPORT

for the year ended 31 July 2019

Distributions (pence per share)

	<u>Year 2019</u>	<u>Year 2018</u>	<u>Year 2017</u>	<u>Year 2016</u>
<u>Class A Accumulation</u>				
Net income paid 31 March	0.0000	0.0000	0.0000	0.0000
Net income paid 30 September	0.0000	0.0000	0.0000	0.0000
<u>Class B Accumulation</u>				
Net income paid 31 March	0.0000	0.0063	0.0000	0.0410
Net income paid 30 September	0.6000	0.1425	0.3001	0.2759
<u>Class P Accumulation</u>				
Net income paid 31 March	0.0000	0.0000	0.0866	0.1714
Net income paid 30 September	0.2768	0.3742	0.4335	0.4022

Portfolio changes

Largest purchases	Cost (£)	Largest sales	Proceeds (£)
UK Oil & Gas	2,706,651	Future	10,141,692
Jubilee Metals Group	2,602,564	Bushveld Minerals	4,568,866
Future	2,380,157	Bioquell	2,924,596
Global Atomic (Restricted Line)	1,785,830	Next Fifteen Communications Group	2,889,464
Kromek Group	1,667,814	Ero Copper	2,355,626
essensys	1,665,030	Manolete Partners	2,129,133
Bushveld Minerals	1,627,629	Amino Technologies	2,026,363
Manolete Partners	1,579,468	UK Oil & Gas	1,587,621
Sopheon	1,512,444	EU-Supply	1,551,250
Ten Lifestyle Group	1,418,669	ZOO Digital Group	1,546,854
Other purchases	42,353,918	Other sales	28,129,949
Total purchases for the year	61,300,174	Total sales for the year	59,851,414

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH NANO-CAP GROWTH FUND**

COMPARATIVE TABLE

Class A, Class B and Class P accumulation shares were launched at 100p on 14 October 2013.

<u>Class A accumulation shares</u>	Year to	Year to	Year to
Change in net assets per share	31.07.2019	31.07.2018	31.07.2017
	pence	pence	pence
Opening net asset value per share	172.27	141.46	103.96
Return before operating charges*	(0.35)	33.27	39.46
Operating charges	(2.61)	(2.46)	(1.96)
Return after operating charges*	(2.96)	30.81	37.50
Distributions on accumulation shares	0.00	0.00	0.00
Retained distributions on accumulation shares	0.00	0.00	0.00
Closing net asset value per share	169.31	172.27	141.46
* after direct transaction costs of:	0.14	0.22	0.23
Performance			
Return after charges	-1.72%	21.78%	36.07%
Other information			
Closing net asset value	£21,643,451	£24,851,620	£19,797,559
Closing number of shares	12,783,454	14,425,626	13,994,853
Operating charges	1.55%	1.55%	1.56%
Direct transaction costs	0.08%	0.14%	0.19%
Prices			
Highest share price	191.92p	188.70p	154.99p
Lowest share price	151.30p	140.83p	104.08p
<u>Class B accumulation shares</u>	Year to	Year to	Year to
Change in net assets per share	31.07.2019	31.07.2018	31.07.2017
	pence	pence	pence
Opening net asset value per share	176.93	144.42	105.40
Return before operating charges*	0.17	34.21	40.36
Operating charges	(1.80)	(1.70)	(1.34)
Return after operating charges*	(1.63)	32.51	39.02
Distributions on accumulation shares	(0.60)	(0.15)	(0.30)
Retained distributions on accumulation shares	0.60	0.15	0.30
Closing net asset value per share	175.30	176.93	144.42
* after direct transaction costs of:	0.14	0.22	0.24
Performance			
Return after charges	-0.92%	22.51%	37.02%
Other information			
Closing net asset value	£18	£1,018	£1,049
Closing number of shares	10	575	726
Operating charges	1.05%	1.05%	1.06%
Direct transaction costs	0.08%	0.14%	0.19%
Prices			
Highest share price	197.15p	193.68p	158.07p
Lowest share price	155.68p	143.74p	105.59p

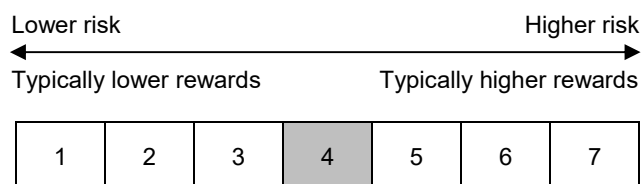
**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH NANO-CAP GROWTH FUND**

COMPARATIVE TABLE

Class P accumulation shares	Year to 31.07.2019	Year to 31.07.2018	Year to 31.07.2017
Change in net assets per share	pence	pence	pence
Opening net asset value per share	178.67	145.60	106.18
Return before operating charges*	(0.34)	34.39	40.47
Operating charges	(1.40)	(1.32)	(1.05)
Return after operating charges*	(1.74)	33.07	39.42
Distributions on accumulation shares	(0.28)	(0.37)	(0.52)
Retained distributions on accumulation shares	0.28	0.37	0.52
Closing net asset value per share	176.93	178.67	145.60
* after direct transaction costs of:	0.14	0.23	0.24
Performance			
Return after charges	-0.97%	22.71%	37.13%
Other information			
Closing net asset value	£182,185,518	£175,179,461	£123,001,973
Closing number of shares	102,967,550	98,045,427	84,479,984
Operating charges	0.80%	0.80%	0.81%
Direct transaction costs	0.08%	0.14%	0.19%
Prices			
Highest share price	199.15p	195.55p	159.43p
Lowest share price	157.40p	144.99p	106.31p

Operating charges are the same as the ongoing charges and are the total expenses paid by each share 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 sub-fund. These amounts are expressed as a percentage of the average net asset value over the period and the average shares in issue for the pence per share 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 sub-fund. It is calculated based on the volatility of the sub-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 sub-fund has been measured as 4 because it has experienced moderate volatility historically. During the period the synthetic risk and reward indicator has remained unchanged.

THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH NANO-CAP GROWTH FUND

PORTFOLIO STATEMENT

as at 31 July 2019

Holding or nominal value	Bid value £	Percentage of total net assets %
AEROSPACE AND DEFENCE (0.21%, July 2018 - 0.36%)		
6,565,000 TP Group	433,290	0.21
Total Aerospace and Defence	<u>433,290</u>	<u>0.21</u>
AUTOMOBILES AND PARTS (0.26%, July 2018 - 0.29%)		
2,650,000 Surface Transforms	530,000	0.26
Total Automobiles and Parts	<u>530,000</u>	<u>0.26</u>
BEVERAGES (0.24%, July 2018 - Nil)		
50,000 Shepherd Neame	495,000	0.24
Total Beverages	<u>495,000</u>	<u>0.24</u>
CHEMICALS (0.45%, July 2018 - 0.49%)		
1,771,309 Hardide	921,081	0.45
Total Chemicals	<u>921,081</u>	<u>0.45</u>
CLOSED END INVESTMENTS (1.55%, July 2018 - 1.63%)		
1,500,000 Augmentum Fintech	1,665,000	0.82
2,047,991 KRM22	1,495,033	0.73
Total Closed End Investments	<u>3,160,033</u>	<u>1.55</u>
CONSTRUCTION AND MATERIALS (Nil, July 2018 - 0.19%)		
Total Construction and Materials	<u>0</u>	<u>0.00</u>
ELECTRONIC AND ELECTRICAL EQUIPMENT (4.39%, July 2018 - 3.16%)		
15,500,000 CAP-XX	744,000	0.37
2,341,667 Ilika	585,417	0.29
4,100,000 SRT Marine Systems	1,435,000	0.70
11,057,500 Thruvision Group	3,029,755	1.49
513,580 Vianet Group	641,975	0.31
1,725,000 Volex	1,593,900	0.78
1,000,000 Xaar	922,000	0.45
Total Electronic and Electrical Equipment	<u>8,952,047</u>	<u>4.39</u>
FINANCE AND CREDIT SERVICES (0.93%, July 2018 - 0.84%)		
1,500,000 Morses Club	1,905,000	0.93
Total Finance and Credit Services	<u>1,905,000</u>	<u>0.93</u>
FOOD PRODUCERS (0.83%, July 2018 - 1.20%)		
1,100,000 Finsbury Food Group	737,000	0.36
1,540,937 Science in Sport	955,381	0.47
Total Food Producers	<u>1,692,381</u>	<u>0.83</u>
HEALTH CARE PROVIDERS (0.60%, July 2018 - 1.04%)		
790,000 Cambridge Cognition Holdings	481,900	0.24
675,000 Fusion Antibodies	438,750	0.22
3,000,000 Totally	294,000	0.14
Total Health Care Providers	<u>1,214,650</u>	<u>0.60</u>
HOUSEHOLD GOODS AND HOME CONSTRUCTION (1.65%, July 2018 - 2.11%)		
100,000 Churchill China	1,570,000	0.77
1,650,028 Springfield Properties	1,798,531	0.88
Total Household Goods and Home Construction	<u>3,368,531</u>	<u>1.65</u>

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH NANO-CAP GROWTH FUND**

PORTFOLIO STATEMENT

as at 31 July 2019

Holding or nominal value	Bid value £	Percentage of total net assets %
INDUSTRIAL ENGINEERING (2.50%, July 2018 - 1.52%)		
123,500 AB Dynamics	3,149,250	1.55
500,000 Somero Enterprises	1,375,000	0.67
7,000,000 Xeros Technology Group	561,400	0.28
Total Industrial Engineering	<u>5,085,650</u>	<u>2.50</u>
INDUSTRIAL MATERIALS (0.34%, July 2018 - 0.48%)		
60,000 Cropper (James)	702,000	0.34
Total Industrial Materials	<u>702,000</u>	<u>0.34</u>
INDUSTRIAL METALS AND MINING (2.68%, July 2018 - 3.13%)		
1,190,000 Anglo Asian Mining	1,511,300	0.74
2,425,000 Bushveld Minerals	618,375	0.30
47,116,667 Horizonte Minerals	1,060,125	0.52
50,000,000 Landore Resources	370,000	0.18
1,730,000 Tharisa	1,903,000	0.94
Total Industrial Metals and Mining	<u>5,462,800</u>	<u>2.68</u>
INDUSTRIAL SUPPORT SERVICES (7.98%, July 2018 - 8.52%)		
4,366,632 ClearStar	2,619,979	1.29
1,810,000 Cromax Security Solutions Group	1,737,600	0.85
1,250,000 Empresaria Group	837,500	0.41
1,005,000 Filta Group Holdings	1,829,100	0.90
440,000 Hydrogen Group	233,200	0.11
1,000,000 Johnson Service Group	1,702,000	0.84
3,333,333 Kazera Global	31,667	0.02
23,750,000 Malvern International	570,000	0.28
1,144,444 PCI-PAL	377,667	0.19
2,530,000 Spectra Systems	3,162,500	1.55
350,000 Synectics	686,000	0.34
739,635 Water Intelligence	2,440,796	1.20
Total Industrial Support Services	<u>16,228,009</u>	<u>7.98</u>
INDUSTRIAL TRANSPORTATION (1.37%, July 2018 - 2.31%)		
562,241 Gama Aviation	449,793	0.22
850,000 Hargreaves Services	2,210,000	1.08
457,143 Xpediator	141,714	0.07
Total Industrial Transportation	<u>2,801,507</u>	<u>1.37</u>
INVESTMENT BANKING AND BROKERAGE SERVICES (9.75%, July 2018 - 8.76%)		
442,789 Alpha FX Group	3,276,639	1.61
200,000 Aquis Exchange	964,000	0.47
300,000 Curtis Banks Group	930,000	0.46
4,235,036 Frontier IP Group	2,837,474	1.39
1,932,500 Impax Asset Management Group	4,638,000	2.28
700,000 K3 Capital Group	1,085,000	0.53
463,172 Manolete Partners	2,385,336	1.17
550,000 Marlowe	2,552,000	1.25
1,000,000,000 RiverFort Global Opportunities	700,000	0.34
1,200,000 WH Ireland Group	516,000	0.25
Total Investment Banking and Brokerage Services	<u>19,884,449</u>	<u>9.75</u>
LEISURE GOODS (Nil, July 2018 - 0.95%)		
Total Leisure Goods	<u>0</u>	<u>0.00</u>

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH NANO-CAP GROWTH FUND**

PORTFOLIO STATEMENT

as at 31 July 2019

Holding or nominal value	Bid value £	Percentage of total net assets %
MEDIA (4.00%, July 2018 - 5.93%)		
1,461,550 Everyman Media Group	2,776,945	1.36
300,000 Future	3,324,000	1.63
24,050,730 One Media iP Group	1,322,790	0.65
1,750,000 SigmaRoc	735,000	0.36
Total Media	<u>8,158,735</u>	<u>4.00</u>
MEDICAL EQUIPMENT AND SERVICES (2.15%, July 2018 - 2.00%)		
1,200,000 Creo Medical Group	1,896,000	0.93
7,000,000 Kromek Group	1,785,000	0.88
1,350,000 Scientific Digital Imaging	688,500	0.34
Total Medical Equipment and Services	<u>4,369,500</u>	<u>2.15</u>
NON-RENEWABLE ENERGY (5.98%, July 2018 - 3.46%)		
10,000,000 Amerisur Resources	1,820,000	0.89
80,000,000 Cluff Natural Resources	1,320,000	0.65
6,416,666 Egdon Resources	320,833	0.16
10,000,000 Europa Oil & Gas (Holdings)	290,000	0.14
2,350,000 Jadestone Energy	1,304,250	0.64
900,000 Tekmar Group	1,170,000	0.57
20,100,000 Trinity Exploration & Production	2,512,500	1.23
159,976,190 UK Oil & Gas	1,439,786	0.71
8,400,000 Wameja	453,600	0.22
10,444,444 Westmount Energy	1,566,667	0.77
Total Non-Renewable Energy	<u>12,197,636</u>	<u>5.98</u>
OPEN END AND MISCELLANEOUS INVESTMENT VEHICLES (0.20%, July 2018 - 0.48%)		
3,400,000 Baskerville Capital	119,000	0.06
3,000,000 Hertsford Capital	285,000	0.14
Total Open End and Miscellaneous Investment Vehicles	<u>404,000</u>	<u>0.20</u>
PERSONAL CARE, DRUG AND GROCERY STORES (Nil, July 2018 - 0.06%)		
Total Personal Care, Drug and Grocery Stores	<u>0</u>	<u>0.00</u>
PERSONAL GOODS (0.04%, July 2018 - 0.24%)		
8,802,589 Bagir Group	79,223	0.04
Total Personal Goods	<u>79,223</u>	<u>0.04</u>
PHARMACEUTICALS, BIOTECHNOLOGY AND MARIJUANA PRODUCERS (1.58%, July 2018 - 1.12%)		
1,375,000 Beximco Pharmaceuticals 'Reg S'	550,000	0.27
762,291 C4X Discovery Holdings	343,031	0.17
620,000 Horizon Discovery Group	948,600	0.47
3,600,000 IXICO	1,368,000	0.67
Total Pharmaceuticals, Biotechnology and Marijuana Producers	<u>3,209,631</u>	<u>1.58</u>
PRECIOUS METALS AND MINING (2.26%, July 2018 - 1.39%)		
7,950,000 Goldplat	230,550	0.11
108,685,000 Jubilee Metals Group	3,314,892	1.63
3,100,000 Sylvania Platinum	1,054,000	0.52
Total Precious Metals and Mining	<u>4,599,442</u>	<u>2.26</u>
REAL ESTATE INVESTMENT AND SERVICES (0.81%, July 2018 - 1.35%)		
967,000 Property Franchise Group (The)	1,643,900	0.81
Total Real Estate Investment and Services	<u>1,643,900</u>	<u>0.81</u>

THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH NANO-CAP GROWTH FUND

PORTFOLIO STATEMENT

as at 31 July 2019

Holding or nominal value	Bid value £	Percentage of total net assets %
RENEWABLE ENERGY (0.60%, July 2018 - 1.06%)		
9,850,000 Inspired Energy	1,231,250	0.60
Total Renewable Energy	<u>1,231,250</u>	<u>0.60</u>
RETAILERS (0.82%, July 2018 - 1.13%)		
1,400,000 Angling Direct	1,008,000	0.49
4,541,660 Sosandar	669,895	0.33
Total Retailers	<u>1,677,895</u>	<u>0.82</u>
SOFTWARE AND COMPUTER SERVICES (20.05%, July 2018 - 23.36%)		
2,115,520 1Spatial	634,656	0.31
2,905,381 Abal Group	20,338	0.01
2,179,000 Access Intelligence	1,263,820	0.62
3,356,366 Albert Technologies	140,967	0.07
3,444,376 ATTRAQT Group	1,171,088	0.58
2,450,000 Beeks Financial Cloud Group	2,082,500	1.02
2,500,000 Castleton Technology	2,500,000	1.23
637,497 Cerillion	1,032,745	0.51
219,668 Crossword Cybersecurity	1,054,406	0.52
1,500,000 D4t4 Solutions	3,525,000	1.73
1,102,669 essensys	2,006,858	0.99
1,450,000 GAN	1,015,000	0.50
4,355,000 GetBusy	1,872,650	0.92
2,685,000 GRC International Group	1,127,700	0.55
1,100,000 Gresham Technologies	1,243,000	0.61
910,000 i-nexus Global	209,300	0.10
290,000 Ingenta	191,400	0.09
480,833 Instem	1,836,782	0.90
279,808 Intercede Group	92,896	0.05
4,164,853 IQGeo Group	1,749,238	0.86
600,000 K3 Business Technology Group	1,272,000	0.62
15,525,323 Location Sciences Group	512,336	0.25
285,000 LoopUp Group	376,200	0.19
5,013,333 Maestrano Group	65,173	0.03
7,157,606 Minds + Machines Group	429,456	0.21
20,000,000 Nasstar	2,200,000	1.08
370,000 OnTheMarket	344,100	0.17
1,000,000 Osirium Technologies	600,000	0.29
4,025,000 Oxford Metrics	3,461,500	1.70
1,194,578 Pelatro	895,934	0.44
1,720,641 Pennant International Group	1,496,958	0.73
1,000,000 SmartSpace Software	880,000	0.43
335,000 Sopheon	2,512,500	1.23
2,000,000 SysGroup	860,000	0.42
1,600,000 Tern	184,000	0.09
Total Software and Computer Services	<u>40,860,501</u>	<u>20.05</u>
TECHNOLOGY HARDWARE AND EQUIPMENT (0.45%, July 2018 - 0.64%)		
12,333,623 APC Technology Group	925,022	0.45
Total Technology Hardware and Equipment	<u>925,022</u>	<u>0.45</u>
TELECOMMUNICATIONS EQUIPMENT (1.95%, July 2018 - 3.39%)		
7,479,388 BATM Advanced Communications	3,216,137	1.58
4,100,000 CyanConnode Holdings	188,600	0.09
6,510,000 Filtronic	455,700	0.22
4,043,492 ProPhotonix	113,218	0.06
Total Telecommunications Equipment	<u>3,973,655</u>	<u>1.95</u>

THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH NANO-CAP GROWTH FUND

PORTFOLIO STATEMENT

as at 31 July 2019

Holding or nominal value	Bid value £	Percentage of total net assets %
TELECOMMUNICATIONS SERVICE PROVIDERS (1.71%, July 2018 - 2.62%)		
415,000 AdEPT Technology Group	1,494,000	0.73
945,000 Bigblu Broadband	1,058,400	0.52
8,750,000 EVR Holdings	630,000	0.31
71,284 Maintel Holdings	310,798	0.15
Total Telecommunications Service Providers	<u>3,493,198</u>	<u>1.71</u>
TRAVEL AND LEISURE (5.11%, July 2018 - 4.24%)		
680,000 Arena Events Group	244,800	0.12
815,000 Cake Box Holdings	1,385,500	0.68
7,646,634 DP Poland	535,264	0.26
508,790 Escape Hunt	239,131	0.12
1,298,807 Rotala	753,308	0.37
2,741,176 Safestay	959,412	0.47
400,000 Stride Gaming	588,000	0.29
22,500,000 Tasty	945,000	0.46
1,000,000 Ten Entertainment Group	2,360,000	1.16
2,043,536 Ten Lifestyle Group	2,411,372	1.18
Total Travel and Leisure	<u>10,421,787</u>	<u>5.11</u>
OVERSEAS SECURITIES (3.14%, July 2018 - 1.55%)		
100,000 Ero Copper	1,569,039	0.77
9,600,000 Global Atomic (Restricted Line)	3,060,564	1.50
336,700 Greenfields Petroleum	42,095	0.02
584,957 TMT Investments	1,730,927	0.85
Total Overseas Securities	<u>6,402,625</u>	<u>3.14</u>
UNQUOTED SECURITIES (4.92%, July 2018 - 2.75%)		
850,000 Baskerville Capital Warrants	0	0.00
3,400,000 Blockchain Worldwide	102,000	0.05
2,600,000 Crawshaw Group	0	0.00
1,500,000 Gable Holdings	0	0.00
2,843,978 HaloSource 'Reg S'	0	0.00
5,942 Infinity Reliance	183,548	0.09
800,000 Mar City	0	0.00
630,119 MESH Holdings Warrants	0	0.00
29,166,667 Moxico Resources	7,000,000	3.44
10,000,000 One Media iP Group Warrants	0	0.00
222,387 Prefcap	1,779	0.00
39,333 SCA Investments	2,084,256	1.02
450,000 Snoozebox Holdings	0	0.00
60,000 Westmount Energy Convertible Loan Notes 10% 31.03.21	60,000	0.03
625,000 Wilmcote Holdings	593,750	0.29
Total Unquoted Securities	<u>10,025,333</u>	<u>4.92</u>
Portfolio of investments	186,509,761	91.50
Net current assets	<u>17,319,226</u>	<u>8.50</u>
Total net assets	<u>203,828,987</u>	<u>100.00</u>

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH NANO-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)	2		(2,432,826)		33,031,701
Revenue	4	1,925,944		1,778,004	
Expenses	5	<u>(1,766,393)</u>		<u>(1,522,462)</u>	
Net revenue/(expense) before taxation		159,551		255,542	
Taxation	6	<u>(42,492)</u>		<u>(35,569)</u>	
Net revenue/(expense) after taxation			<u>117,059</u>		<u>219,973</u>
Total return before distributions			(2,315,767)		33,251,674
Distributions	7		(287,285)		(346,167)
Change in net assets attributable to shareholders from investment activities			<u>(2,603,052)</u>		<u>32,905,507</u>

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the year ended 31 July 2019

	31 July 2019		31 July 2018	
	£	£	£	£
Opening net assets attributable to shareholders		200,032,099		142,800,581
Amounts receivable on issue of shares	18,011,713		25,027,940	
Amounts payable on cancellation of shares	(11,892,293)		(1,066,767)	
Amounts payable on share class conversions	<u>(4,505)</u>		<u>(2,040)</u>	
		6,114,915		23,959,133
Change in net assets attributable to shareholders from investment activities		(2,603,052)		32,905,507
Retained distribution on accumulation shares		285,025		366,878
Closing net assets attributable to shareholders		<u>203,828,987</u>		<u>200,032,099</u>

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH NANO-CAP GROWTH FUND**

BALANCE SHEET
as at 31 July 2019

	Notes	31 July 2019	31 July 2018
		£	£
Assets:			
Fixed Assets:			
Investments	13	186,509,760	187,525,173
Current Assets:			
Debtors	8	665,101	723,732
Cash and bank balances		17,419,905	12,000,563
Total assets		<u>204,594,766</u>	<u>200,249,468</u>
Liabilities:			
Creditors:			
Other creditors	9	765,779	217,369
Total liabilities		<u>765,779</u>	<u>217,369</u>
Net assets attributable to shareholders		<u><u>203,828,987</u></u>	<u><u>200,032,099</u></u>

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH NANO-CAP GROWTH FUND**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2019

1 ACCOUNTING, DISTRIBUTION AND RISK MANAGEMENT POLICIES

Please refer to the notes applicable to the Company on pages 7 to 10.

2 NET CAPITAL GAINS/(LOSSES)

31 July 2019 **31 July 2018**
£ £

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

Non-derivative securities	(2,429,173)	33,059,742
Currency gains/(losses)	7,902	(14,840)
Transaction charges	(11,555)	(13,201)
Net capital gains/(losses)	(2,432,826)	33,031,701

3 PURCHASES, SALES AND TRANSACTION COSTS

31 July 2019 **31 July 2018**
£ £

Purchases excluding transaction costs		
Equities	27,784,921	38,837,433
Debt securities	60,000	0
Corporate actions	33,396,483	42,959,861
	<u>61,241,404</u>	<u>81,797,294</u>
Equities: Commissions	50,662	88,859
Taxes and other charges	8,108	27,723
Total purchase transaction costs	<u>58,770</u>	<u>116,582</u>
Purchases including transaction costs	<u>61,300,174</u>	<u>81,913,876</u>

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

Equities: Commissions	0.18%	0.23%
Taxes and other charges	0.03%	0.07%

Sales excluding transaction costs

Equities	53,742,321	57,537,620
Corporate actions	6,212,538	3,165,286
	<u>59,954,859</u>	<u>60,702,906</u>
Equities: Commissions	(101,660)	(116,267)
Taxes and other charges	(1,785)	(2,763)
Total sale transaction costs	<u>(103,445)</u>	<u>(119,030)</u>
Sales net of transaction costs	<u>59,851,414</u>	<u>60,583,876</u>

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

Equities: Commissions	0.19%	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	0.08%	0.12%
Taxes and other charges	0.00%	0.02%
	<u>0.08%</u>	<u>0.14%</u>

Transaction handling charges

£11,555 £13,201

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 4.07% 3.89%

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH NANO-CAP GROWTH FUND**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2019

4 REVENUE

	31 July 2019	31 July 2018
	£	£
UK dividends	1,407,731	1,533,274
Overseas dividends	466,492	238,235
Interest on debt securities	4,603	0
Underwriting commission	17,125	0
Bank interest	29,993	6,495
Total revenue	<u>1,925,944</u>	<u>1,778,004</u>

5 EXPENSES

	31 July 2019	31 July 2018
	£	£
Payable to the ACD or associate:		
ACD's periodic charge	1,677,169	1,444,896
Registration fees	1,705	1,575
	<u>1,678,874</u>	<u>1,446,471</u>
Payable to the Depositary or associate:		
Depositary's fees	71,691	61,223
Safe Custody fees	11,172	9,644
	<u>82,863</u>	<u>70,867</u>
Other expenses:		
Financial Conduct Authority fee	158	82
Audit fee	4,498	5,042
	<u>4,656</u>	<u>5,124</u>
Total expenses	<u>1,766,393</u>	<u>1,522,462</u>

6 TAXATION

	31 July 2019	31 July 2018
	£	£
a Analysis of the tax charge for the year		
Overseas tax	42,492	35,569
Total tax charge	<u>42,492</u>	<u>35,569</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 before taxation	159,551	255,543
Corporation tax at 20%	31,910	51,109
Effects of:		
Revenue not subject to taxation	(374,844)	(354,302)
Unrelieved excess management expenses	342,934	303,193
Overseas tax	42,492	35,569
Current tax charge	<u>42,492</u>	<u>35,569</u>

At 31 July 2019 the sub-fund has deferred tax assets of £1,368,463 (31.07.18 - £1,025,529) arising from surplus management expenses, which have not been recognised due to uncertainty over the availability of future taxable profits.

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH NANO-CAP GROWTH FUND**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2019

7 DISTRIBUTIONS

	31 July 2019	31 July 2018
	£	£
The distributions take account of revenue received or deducted on the issue and cancellation of shares, and comprise:		
Interim	0	0
Final	285,060	366,922
Amounts deducted/(added) on cancellation of shares	6,104	(139)
Amounts deducted/(added) on issue of shares	661	(18,532)
Equalisation on conversions	(4,505)	(2,040)
Revenue brought forward	(35)	(44)
Distributions	<u>287,285</u>	<u>346,167</u>
Net deficit of revenue for the year	<u>(170,226)</u>	<u>(126,194)</u>
Net revenue after taxation for the year	<u>117,059</u>	<u>219,973</u>

Details of the distribution per share are set out in the distribution table in note 14.

8 DEBTORS

	31 July 2019	31 July 2018
	£	£
Amounts receivable for issue of shares	1,916	582,068
Sales awaiting settlement	533,755	88,899
Accrued income	129,430	52,765
Total debtors	<u>665,101</u>	<u>723,732</u>

9 OTHER CREDITORS

	31 July 2019	31 July 2018
	£	£
Amounts payable for cancellation of shares	599,591	0
Purchases awaiting settlement	0	43,718
Accrued expenses	166,188	173,651
Total other creditors	<u>765,779</u>	<u>217,369</u>

10 RELATED PARTIES

The ACD is involved in all transactions in the shares of the sub-fund, the aggregate values of which are set out in the statement of change in net assets attributable to shareholders.

Amounts paid to the ACD in respect of the ACD's periodic charge and registration fees are disclosed in note 5. The total amounts due to/(from) the ACD at the year end were as follows:

	31 July 2019	31 July 2018
	£	£
Marlborough Fund Managers Ltd	744,649	(437,927)

In addition to the above, some shares in the sub-fund are owned by directors of Marlborough Fund Managers Ltd or directors of UFC Fund Management plc, the ultimate parent company of Marlborough Fund Managers Ltd, as set out below:

Proportion of units owned by directors of Marlborough Fund Managers Ltd or UFC Fund Management plc	0.20%	0.21%
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Distributions were payable on the above holdings at the rates applicable to other shareholders.

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH NANO-CAP GROWTH FUND**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2019

11 SHAREHOLDERS' FUNDS

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

During the year the ACD has issued, cancelled and converted shares from one share class to another as set out below:

	Class A	Class B	Class P
Opening shares in issue at 1 August 2018	14,425,626	575	98,045,427
Share issues	1,075,722	0	9,091,849
Share cancellations	(615,061)	0	(6,191,060)
Share conversions	(2,102,833)	(565)	2,021,334
Closing shares in issue at 31 July 2019	<u>12,783,454</u>	<u>10</u>	<u>102,967,550</u>

12 RISK DISCLOSURES

Market price risk sensitivity

A five per cent increase in the market prices of the sub-fund's portfolio would have the effect of increasing the return and net assets by £9,325,488 (31.07.18 - £9,376,259). 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 sub-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
	£	£	£
Canadian Dollar	4,671,698	0	4,671,698
US Dollar	1,730,927	0	1,730,927
	<u>6,402,625</u>	<u>0</u>	<u>6,402,625</u>

Foreign currency exposure at 31 July 2018

	Investments	Net current assets	Total
	£	£	£
Canadian Dollar	2,078,480	0	2,078,480
US Dollar	1,022,186	0	1,022,186
	<u>3,100,666</u>	<u>0</u>	<u>3,100,666</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 £320,131 (31.07.18 - £155,033). A five per cent increase would have an equal and opposite effect.

Liquidity risk

The following table provides a maturity analysis of the sub-fund's financial liabilities:

	31 July 2019	31 July 2018
	£	£
Within one year:		
Other creditors	765,779	217,369
	<u>765,779</u>	<u>217,369</u>

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH NANO-CAP GROWTH FUND**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2019

13 FAIR VALUE HIERARCHY FOR INVESTMENTS

Basis of valuation	31 July 2019		31 July 2018	
	Assets (£)	Liabilities (£)	Assets (£)	Liabilities (£)
Level 1 - Quoted prices	176,484,428	0	181,896,187	0
Level 2 - Observable market data	0	0	0	0
Level 3 - Unobservable data	10,025,333	0	5,628,986	0
	<u>186,509,761</u>	<u>0</u>	<u>187,525,173</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.

In accordance with FRS102 the sub-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.

Blockchain Worldwide is being valued at the suspension price pending the result of the proposed acquisition of Entertainment AI.

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.

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.

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

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

Prefcap is delisted and valued, based on the latest information received from the company.

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.

Westmount Energy Convertible Loan Notes 10% 31.03.21 are unlisted and are being priced at par value until maturity.

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.

**THE MARLBOROUGH NO 2 OEIC
MARLBOROUGH NANO-CAP GROWTH FUND**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2019

14 DISTRIBUTION TABLE

ACCUMULATION SHARES

For the period from 1 August 2018 to 31 January 2019

Group 1: shares purchased prior to 1 August 2018
Group 2: shares purchased on or after 1 August 2018

		Net revenue to 31-Jan-19 pence per share	Equalisation to 31-Jan-19 pence per share	Distribution paid 31-Mar-19 pence per share	Distribution paid 31-Mar-18 pence per share
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	0.0000p	0.0000p	0.0000p	0.0063p
	Group 2	0.0000p	0.0000p	0.0000p	0.0063p
Class P	Group 1	0.0000p	0.0000p	0.0000p	0.0000p
	Group 2	0.0000p	0.0000p	0.0000p	0.0000p

For the period from 1 February 2019 to 31 July 2019

Group 1: shares purchased prior to 1 February 2019
Group 2: shares purchased on or after 1 February 2019

		Net revenue to 31-Jul-19 pence per share	Equalisation to 31-Jul-19 pence per share	Distribution payable 30-Sep-19 pence per share	Distribution paid 30-Sep-18 pence per share
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	0.6000p	0.0000p	0.6000p	0.1425p
	Group 2	0.6000p	0.0000p	0.6000p	0.1425p
Class P	Group 1	0.2768p	0.0000p	0.2768p	0.3742p
	Group 2	0.1955p	0.0813p	0.2768p	0.3742p

Marlborough

— Fund Managers —

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