



# **MFM Techinvest Technology Fund**

## **Short Report**

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

## **Fund Details**

### **MFM Techinvest Technology Fund**

#### **Registered Office**

Marlborough House  
59 Chorley New Road  
Bolton BL1 4QP

#### **Authorised Corporate Director and Registrar**

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

Authorised and regulated by the Financial Services Authority

#### **Depositary**

HSBC Bank plc  
8 Canada Square  
London E14 5HQ

Authorised and regulated by the Financial Services Authority

#### **Investment Adviser**

Techinvest Ltd  
Merchants House  
27/30 Merchants Quay  
Dublin 8  
Republic of Ireland

Authorised and regulated by the Central Bank of Ireland

#### **Auditors**

Barlow Andrews LLP  
Carlyle House  
78 Chorley New Road  
Bolton  
BL1 4BY

## GENERAL INFORMATION

### Investment Objectives

The investment objective is to provide capital growth from capital appreciation and the accumulation of income through a globally invested portfolio of equities and bonds. Emphasis will be placed on technology-based businesses worldwide. It is envisaged that up to 75% of the total fund value will normally be in securities quoted on the London Stock Exchange, with the balance invested elsewhere, primarily North America.

The technology sector includes, but is not necessarily limited to, companies providing products and services in electronic and electrical equipment, healthcare, information technology hardware, electronic games, media services, support services and telecommunication services.

The FTSE techMARK All-Share Index is the benchmark comparison against which the performance of the Fund is measured.

### Risk Profile

The Fund has little exposure to credit or cash flow risk. There are no borrowings or unlisted securities of a material nature and so there is little exposure to liquidity risk. The main risks it faces from its financial instruments are market price, foreign currency and interest rate risk. The ACD reviews the policies for managing these risks in order to follow and achieve the Investment Objective as summarised above.

### Reports and Accounts

The purpose of sending this Short Report is to present you with a summary of how the Fund has performed during the accounting period in accordance with the FSA rules. If you wish to request further information, the more detailed long form report is available. For a copy please write to Marlborough Fund Managers Ltd, Marlborough House, 59 Chorley New Road, Bolton BL1 4QP or telephone customer services on 0808 145 2500.

### Risk Warning:

The past is not necessarily a guide to future performance. Investments and the income derived from them can fall as well as rise and the investor may not get back the amount originally invested. The Fund is subject to an initial charge and subsequently charges are not made uniformly throughout the period of the investment. Changes in exchange rates between currencies may cause the value of investments to diminish or increase. The Fund invests in smaller companies listed on AIM, which carry a higher degree of risk than larger companies. The shares of smaller companies may be less liquid and their performance more volatile over shorter time periods. The Fund focuses on a specific sector which can also lead to greater volatility.

### Change in Prospectus:

No changes have been made since the last report.

AUTHORISED INVESTMENT ADVISER'S REPORT

For the year ended 30 April 2012

Percentage change and sector position to 30 April 2012

	<u>Six months</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>	<u>Since launch**</u>
MFM Techinvest Technology Fund	9.24%	-3.80%	101.61%	25.86%	120.86%
Quartile Ranking*	2	4	1	4	2

\*Based on ranking within IMA Technology & Telecommunications Sector. External Source of Economic Data: Morningstar

\*\* Launched 29.04.2003 (performance calculated from first pricing point 19.05.03)

Despite a much better second half, which produced a gain of 9.24%, the Fund ended the year to 30 April 2012 at 220.86p, a small loss of 3.80%. This contrasts with the increase of 29.73% the previous year.

The Fund did marginally better than the FTSE 100 index which recorded a decline of 5.47% for the twelve months period. The Nasdaq Composite rose by 6.01% during the year.

Typically, between 55% and 60% of the Fund throughout the year was invested in North American stocks. As with the London holdings, the majority of these were small-cap stocks; indeed, most US commentators would classify them as micro-caps.

The tech-rich Russell 2000 index is accepted as the best measure of small cap stock performance in the US. During the twelve months to 30 April 2012, it lost 5.59%, a considerable underperformance relative to the Nasdaq.

In London, the best measure of small cap stocks is the FTSE SmallCap index albeit tech stocks are a relatively minor part of its make-up. It declined by 5.78% during the year, virtually the same as the Russell 2000 and almost two percentage points worse than what the Fund did. It is also noteworthy that the AIM AllShare fell by as much as 15.66% over the twelve month period.

Almost invariably in weak markets, small cap stocks collectively underperform as investors migrate to the perceived safety of large caps. However, history shows that this is more than compensated by outperformance during subsequent bullmarkets.

Since its inception on 19 May 2003 the unit price of shares in the Fund has increased by 120.86%. This is well ahead of the 45.58% improvement turned in by the FTSE 100, the 58.50% gain by the FTSE SmallCap and the AIM AllShares' 28.14%. Over the same time-frame the Nasdaq Composite is up 104.07% while London's techMARK AllShare index gained 152.02%. It should be noted that the techMARK index is made up of the largest London quoted companies in the sector, of which only a very few are ever held at any one time by the Fund. We remain strongly focussed on smaller cap stocks as, taking the long-term view, we firmly believe that is where the best value is normally found.

This applies equally to our North American stock selections. In fact, many of these are viewed as micro-caps on the other side of the Atlantic. As such, some are little covered or not at all by analysts. This inevitably creates undervalued opportunities which the Fund has been able to successfully exploit, especially since the bear market ended in March 2009.

The North American content of 56.02% is split between the US (45.71%) and Canada (10.31%). We are counting Alcatel Lucent and Nokia as US stocks. Both were bought in ADR form in New York, although Alcatel Lucent, now owner of the renowned Bell Labs, has its headquarters in France while Nokia is based in Finland.

The Fund ended the year with a very low cash content of 1.17%, in line with our long-established practice of remaining close to fully invested.

**AUTHORISED INVESTMENT ADVISER'S REPORT (CONTINUED)**

The ten largest London holdings in the Fund on April 30, in alphabetical order, were: blinkx, Escher, First Derivatives, Globo, IDOX, Innovation, Monitise, NCC, SQS Software Quality Systems and Vislink.

The ten largest North American holdings, also in alphabetical order, were: Alcatel Lucent (telecoms equipment manufacturer, with a 29,000 strong patent portfolio arguably worth considerably more than its current market cap), Apple (what can we possibly say!), Aviat Networks (world leader in microwave radio transmission equipment), ClickSoftware Technologies (ServicePower Technologies is London market's closest equivalent), eBay, iPass (world's largest commercial Wi-Fi network footprint with nearly 700,000 hotspots across 117 countries), Miranda Technologies (the manufacturer of equipment for the TV broadcast sector is the Fund's largest holding but may not be independent for too much longer), Saba Software (provider on a SaaS basis of learning and talent management software), Sandvine (also listed on AIM in London) and Towerstream (provider of distribution services in high-rise city centres for WiFi and mobile telecoms operators).

Looking forward, we expect tech stocks on both sides of the Atlantic to continue to outperform. In general, valuations relative to growth prospects remain very attractive, particularly on an historic basis. Downside in so many cases is well protected by very strong balance-sheets. Of course, if stockmarkets overall take a severe tumble, none of this will prevent contagion dragging tech stocks lower also, albeit by lesser amounts.

A year ago we wrote that the prime factors fuelling the next tech boom were the Mobile Internet and the explosive growth in data and video traffic, with social networking fanning the flames. This scenario continues to unfold, as evidenced by reports of congestion and overload on telecoms networks. Highly successful IPOs over the past year in the social networking space demonstrate the profits that can be reaped by early-stage adopters of the latest technologies. On the other hand, the Facebook new issue flop is a vivid example of what can happen when greed is allowed to overwhelm reality. Even around the current \$29, some \$9 below the IPO price, we here at Techninvest are not tempted to buy.

Other major unfolding trends include SaaS (software-as-a-service), Cloud computing, Big Data and M2M ("the Internet of Things"), all offering attractive growth opportunities over the next few years. Especially through its North American holdings, the Fund has exposure to all of these themes.

We believe the Fund is the only UK authorised one of its type available to the general public that offers significant dual exposure to both London and North American small cap tech stocks. At April 30, just over 90% was invested in these, with the majority in North America.

The fund is valued once a week at 12.00p.m. each Wednesday. The latest price is normally posted by 5.30p.m. that day on the Techninvest home-page at [www.techninvest.ie](http://www.techninvest.ie). It can also be found in the Financial Times each day and at [www.marlboroughfunds.com](http://www.marlboroughfunds.com).

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

Techninvest Ltd.  
Investment Manager  
31 May 2012

## MFM TECHINVEST TECHNOLOGY FUND

### Material Portfolio Changes

For the year ended 30 April 2012

Major Purchases	Cost (£)	Major Sales	Proceeds (£)
Alcatel Lucent	527,027	Miranda Technologies	539,029
Aviat Networks	319,322	Ruggedcom	516,797
Clearwire 'A'	293,408	Opnet Technologies	459,159
Nokia	292,393	March Networks	455,191
Openwave Systems	271,202	Clearstream Technologies	425,000
Bigband Networks	267,992	Smartfocus Group	412,500
CSR	253,412	Bridgewater Systems	366,990
Immersion	249,162	Tekelec	319,842
Calamp	246,126	S1	319,000
3D Systems	243,009	System C Healthcare	315,000
S1	240,448	Polycom	307,632
Actuate Software	233,162	Bigband Networks	279,837
Tekelec	228,088	Alterian	276,759
Datalink	227,599	blinkx	267,722
Integrated Device Technology	221,684	Idox	243,623
Sandvine	220,687	Web.com Group	238,732
Planet Payment	200,399	Sonus Networks	238,442
DDD Group	200,146	Actuate Software	235,837
Infinera	198,889	E2V Technologies	221,582
Escher Group Holdings	190,316	Openwave Systems	209,201
Other purchases	5,536,411	Other sales	5,350,751
Total purchases for the year	10,660,882	Total sales for the year	11,998,626

### TOP TEN HOLDINGS AS AT 30 APRIL 2012

	%
Miranda Technologies	3.19
Idox	2.95
Apple	2.43
Ebay	2.41
blinkx	2.32
Aviat Networks	2.27
Ipass	2.04
Towerstream	2.04
ClickSoftware Technologies	2.00
Saba Software	1.99

### TOP TEN HOLDINGS AS AT 30 APRIL 2011

	%
blinkx	5.47
Miranda Technologies	3.44
Polycom	2.42
Idox	2.13
Sonus Networks	2.12
Sandvine	1.94
Opnet Technologies	1.90
Towerstream	1.88
EXFO	1.84
Saba Software	1.82

## MFM TECHINVEST TECHNOLOGY FUND

### FUND FACTS

**Launched Accumulation Shares** 29 April 2003 at 100p

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

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

**Minimum Investment** £1,000

**IMA Sector** Technology & Telecommunications

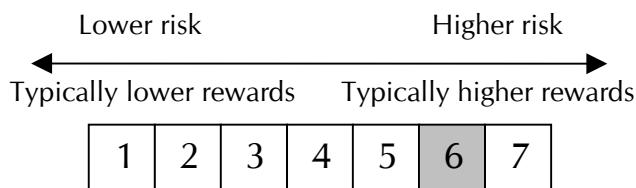
**Ongoing Charges as at 30 April 2012** 1.78%

The ongoing charge figure is based on expenses for the year ending 30 April 2012. This figure may vary from year to year. It excludes:

Performance fees

Portfolio transaction costs, except in the case of an entry/exit charge paid by the fund when buying or selling units in another collective investment scheme.

### SYNTHETIC RISK AND REWARD INDICATOR



The risk and reward indicator above aims to provide you with an indication of the overall risk and reward profile of the fund. It is calculated based on the volatility of the fund using weekly historic returns over the last five years. If five years data is not available for a fund, the returns of a representative portfolio are used.

This Fund has been measured as 6 because it has experienced high volatility historically.



## MFM TECHINVEST TECHNOLOGY FUND

### SUMMARY OF FUND PERFORMANCE

Year	Highest Price	Lowest Price	Distribution Per Share
2007	179.95p	139.05p	-
2008	143.12p	87.91p	-
2009	154.48p	87.65p	-
2010	214.63p	153.63p	-
2011	235.05p	187.37p	-
2012*	234.88p	195.15p	-

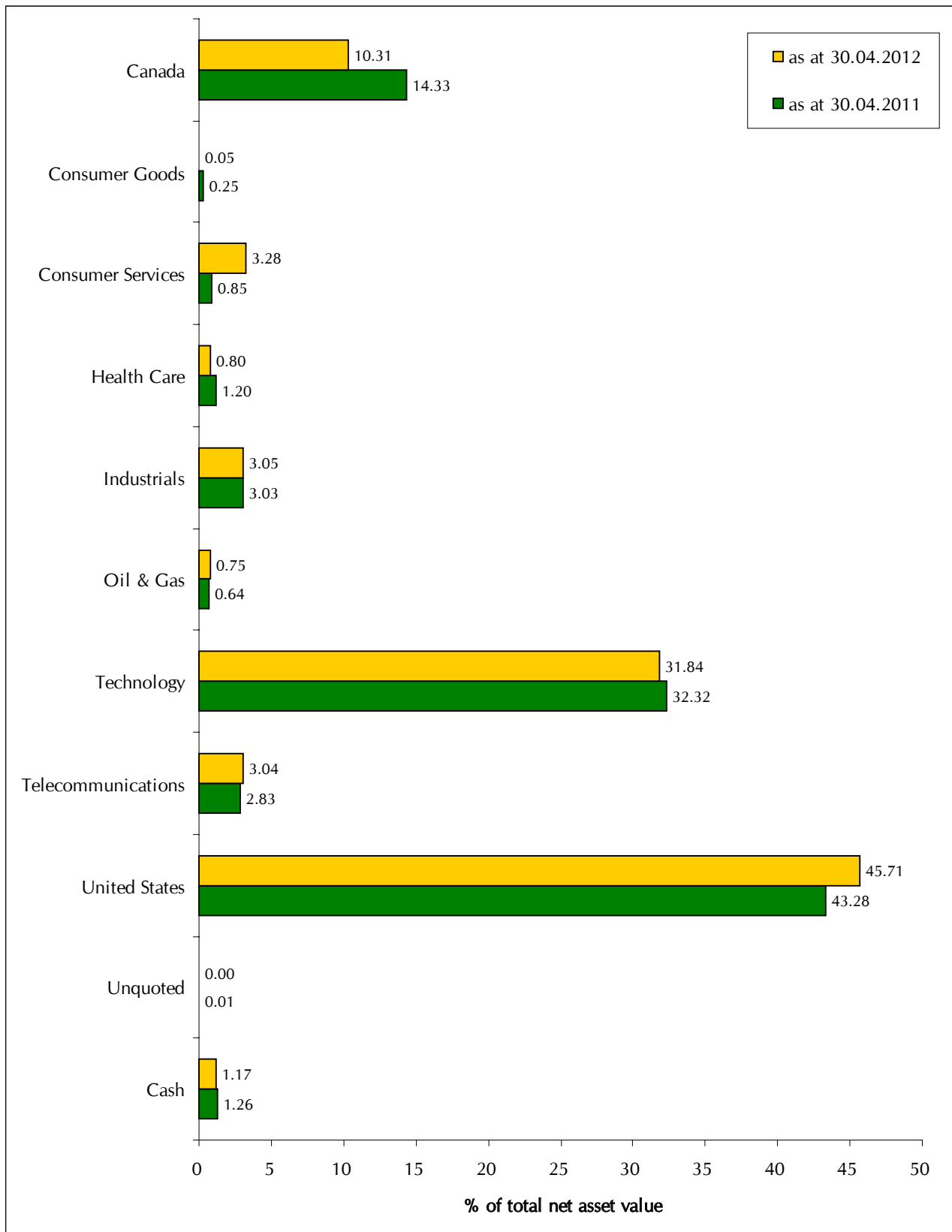
\*up to 30 April 2012

	Net asset value of scheme property	Net asset value per accumulation share
30 April 2010	£13,457,816	173.93p
30 April 2011	£22,203,584	228.57p
30 April 2012	£19,957,501	218.36p



MFM TECHINVEST TECHNOLOGY FUND

PORTFOLIO BREAKDOWN



Marlborough Fund Managers Limited  
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Customer

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Marlborough Fund Managers Limited  
Registered in England No. 2061177  
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Authority and a member of IMA