



# **MFM Techinvest Technology Fund**

## **Short Report**

**For the period from 1st May 2012 to 31st October 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 risk 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 six month period ended 31 October 2012

Percentage change and sector position to 31 October 2012

	<u>Six months</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>	<u>Since launch**</u>
MFM Techinvest Technology Fund	1.84%	11.25%	59.16%	41.82%	124.93%
Quartile Ranking*	1	1	1	1	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)

The Fund ended the half year to October 31 with an increase of 1.84%. This compares with a gain by the FTSE 100 of 0.83% and one of 2.75% by the techMARK AllShare index.

Despite a little over half the Fund being invested in North America throughout the half year it nonetheless outpaced the Nasdaq Composite index which actually recorded a small decrease of 1.92%. The tech-rich Russell 2000 index, which is comprised of small and mid-cap US stocks, made a tiny gain of 0.23% during the period.

On both sides of the Atlantic, markets declined during the months of April and May, followed by three positive months which largely recovered the losses of the previous two. The final month, October, was essentially flat in London although there was a distinct downward bias on Nasdaq.

This has since been followed on both markets by a further period of gentle declines with very low intra-day volatility. The wild daily swings have disappeared in recent months, making for a much calmer atmosphere in which to implement medium-term investment decisions, something which ought to be of benefit to our modus operandi.

Since its inception on 19 May 2003, the unit price of shares in the Fund has increased by 124.93%. This is well ahead of the 46.72% improvement turned in by the FTSE 100, the 65.48% gain by the FTSE SmallCap while the AIM AllShare's 15.08% has been beaten by the proverbial mile. Over the same time frame, the Nasdaq Composite is up 100.16% while London's techMARK AllShare index has increased by 158.95%. It is worth noting that the techMARK index comprises the largest London quoted companies in the sector, of which only a very few are held at any one time by the Fund. As always, we remain strongly focussed on smaller cap stocks as, taking the longer-term view, we remain convinced that is where the best value is usually found.

This applies equally to our selections on both sides of the Atlantic. In fact, a number of our holdings are little covered or not at all by analysts. This inevitably results in undervalued opportunities which we have been able to exploit, especially since the worst of the bear market ended in March 2009.

North American content at October 31 was 47.57% (US 41.44%; Canada 6.13%). This included Finland-based Nokia which was bought in ADR form in New York. London holdings accounted for 44.6%.

The Fund ended the half-year with a cash content of 7.8%, a little higher than is usual for us. This is less the result of deliberate choice and more because a few holdings offered good opportunities for taking sensible part-profits in August/September. This has left us well-placed to take advantage of the excellent medium-term values now becoming apparent as prices decline and/or companies issue results and guidance usefully above prior expectations.

The ten largest London holdings in the Fund on October 31 were, in alphabetical order: Bango, blinkx (second largest holding in the Fund), dotDigital, First Derivatives, IDOX (largest holding), Innovation, Monitise, NCC, SQS Software Quality Systems and Vislink. Eight of these were also in the Top Ten at the year-end date of April 30. This emphasises one of the Fund's key attributes – it is not a short-term trader of positions; we prefer to buy-and-hold.

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

The ten largest North American holdings, also in alphabetical order, were: 3D Systems (since sold, five days after it reached its all-time high, for a gain of 138% in ten months; over the previous six months short-interest in the stock had more than doubled to a worrisome 22.5% - we have learned the hard way that it is rarely wise to ignore such high levels of rising short interest), Aviat Networks, Calamp (we had a visit here in Dublin from Chief Executive Michael Burdick early in the half year, following which we increased our holding), ClickSoftware Technologies, Guidance Software, iPass, Move (a play on the US housing sector recovery), Radware, Redknee Solutions (originally listed on AIM in February 2007, since delisted; the provider of billing and operational systems for telecommunications services providers, mainly mobile, is now only listed in Toronto) and Saba Software. The Fund sold its Top Ten holding in Apple on July 25 at \$574; latest is \$580.

Looking forward, we see no reason not to expect tech stocks in our universe to continue to outperform. In general, valuations relative to growth prospects remain attractive, with downside in so many cases well protected by cash-rich balance sheets. However we suspect stockmarkets on both sides of the Atlantic, especially North America, have a difficult couple of months coming up, with the phrase "fiscal cliff" dominating US airwaves. Inevitably, tech stocks will be also affected by any such contagion.

In our latest report to shareholders six months ago, we mentioned the Facebook new issue flop as 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 Techinvest are not tempted to buy". The shares have since been as low as \$17.55 and are currently around \$26. We will begin to take a closer interest the next time they get near \$20.

One early but very faded star of the Internet boom, where we have taken a recent position, is Yahoo! There are clear signs that the new youthful low-key chief executive Marissa Mayer is starting to make a positive impact. Turnaround is not going to happen overnight but we'll be disappointed if two/three years from now the shares haven't made very meaningful progress.

We continue to view the prime factors fuelling the escalating tech boom as the Mobile Internet and the explosive (to put it mildly!) growth in data and video traffic over the next few years, with social networking fanning the flames. Other major positive trends include SaaS (software-as-a-service), Cloud computing, M2M ("the Internet of Things") and Big Data. The latter is one theme to which we have started to pay a lot of attention, although only two of our current positions (Actuate and Pervasive Software, where an activist investor is stirring things up at the moment) provide exposure. However, we have unearthed at least three more, one medium-sized and two others much smaller, at which we are taking a close look. There are also at least two biggies, but as so often, better value is found further down the scale.

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 October 31 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 Techinvest home-page at [www.techinvest.ie](http://www.techinvest.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 Techinvest website, as can a sample copy of a recent issue of the monthly *Techinvest* newsletter.

<b>Distributions</b>	<b>Year 2012</b>	<b>Year 2011</b>	<b>Year 2010</b>
Net income paid June	0.0000pps	0.0000pps	0.0000pps
Net income paid December	0.0000pps	0.0000pps	0.0000pps

Techinvest Ltd.  
Investment Manager - 28 November 2012

## MFM TECHINVEST TECHNOLOGY FUND

### Material Portfolio Changes

For the six month period ended 31 October 2012

Major Purchases	Cost (£)	Major Sales	Proceeds (£)
Actuate Software	279,723	Miranda Technologies	895,686
Novatel Wireless	191,537	Arena Pharmaceuticals	582,735
Electronic Arts	191,016	Authentec	568,965
ClickSoftware Technologies	188,821	Apple	487,732
Yahoo	183,600	eBay	252,674
Radware	177,885	Harmonic	241,975
Infinera	169,177	Wi-Lan	232,895
Sonus Networks	168,241	Micro Focus International	208,143
Move	138,892	Electronic Arts	196,305
Meru Networks	117,176	Tellabs	184,877
Harmonic	111,964	Mitek Systems	139,890
Optos	109,557	Cable & Wireless Worldwide	122,571
Falconstor Software	104,367	MRV Communications	121,140
Sandvine	81,503	Majestic Entertainment	116,392
Tellabs	80,901	3D Systems	115,543
Redknee Solutions	76,548	Boingo Wireless	110,057
Craneware	74,488	Sandvine	108,414
Peer 1 Network	70,856	KBC Advanced Technology	104,789
Nokia ADR	68,755	ClickSoftware Technologies	96,117
Escher Group Holdings	66,793	Innovation Group	81,642
Other purchases	333,560	Other sales	289,640
Total purchases for the period	2,985,360	Total sales for the period	5,258,182

### TOP TEN HOLDINGS AS AT 31 OCTOBER 2012

	%
Idox	3.30
blinkx	3.16
Calamp	2.55
Guidance Software	2.45
Redknee Solutions	2.34
Radware	2.19
Saba Software	2.13
Aviat Networks	2.10
3D Systems	2.07
Bango	2.01

### 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



## 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

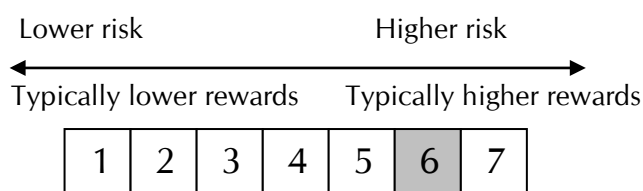
Ongoing Charge Figure as at 31 October 2012 1.78%

Ongoing Charge Figure as at 30 April 2012 1.78%

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

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

### SYNTHETIC RISK AND REWARD INDICATOR



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

This Fund has been measured as 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	-

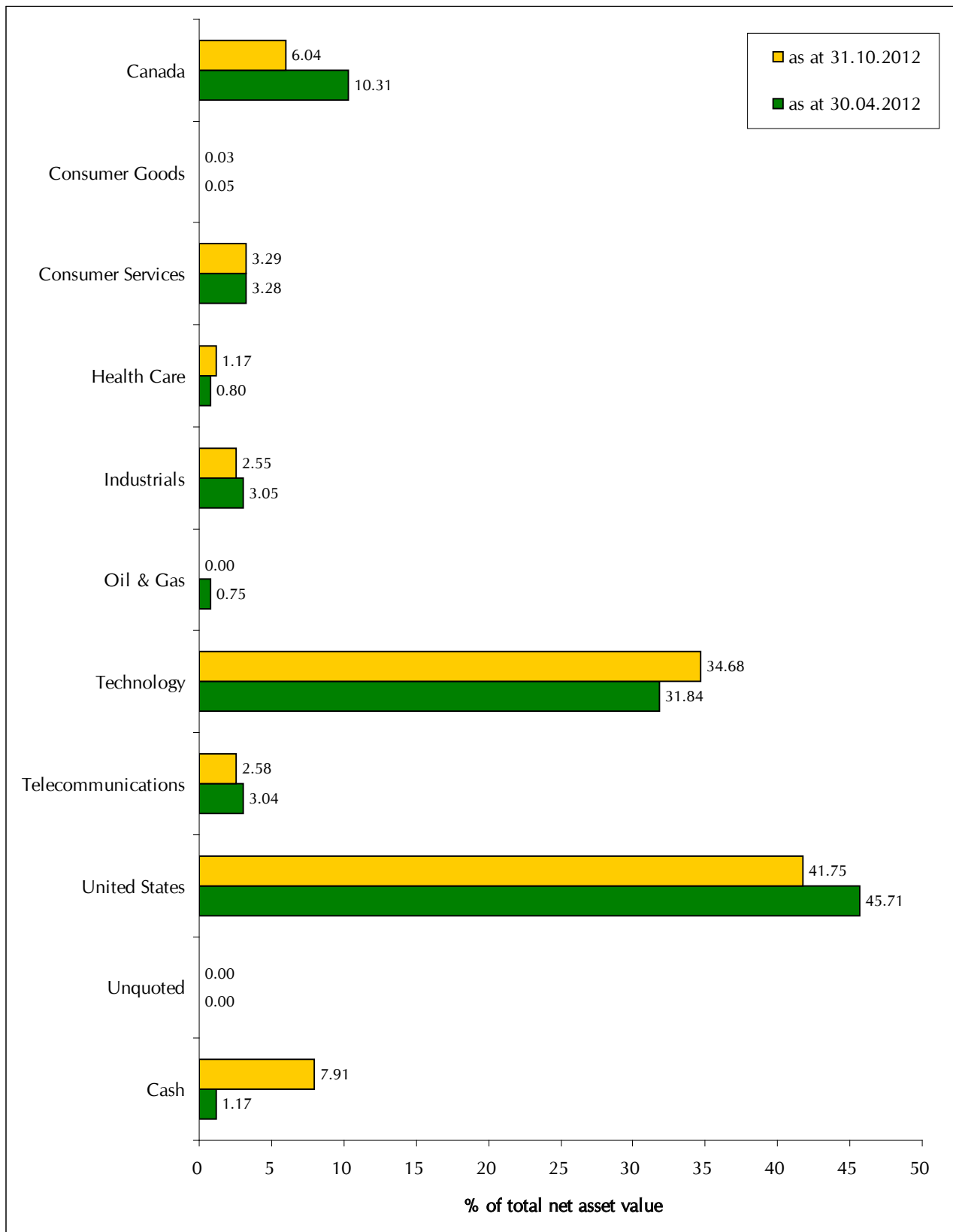
\*up to 31 October 2012

	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
31 October 2012	£19,484,478	222.71p



# MFM TECHINVEST TECHNOLOGY FUND

## PORTFOLIO BREAKDOWN



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

Customer

Support: 0808 145 2500

Intermediary

Support: 0808 145 2502

Dealing: 0808 145 2501

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Marlborough Fund Managers Limited  
Registered in England No. 2061177  
Authorised and regulated by the Financial Services  
Authority and a member of IMA