



MFM Techinvest Technology Fund

Short Report

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

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 Conduct Authority

Depositary

HSBC Bank plc
8 Canada Square
London E14 5HQ

Authorised and regulated by the Financial Conduct Authority

Investment Adviser

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

Authorised and regulated by the Central Bank of Ireland

Auditors

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

GENERAL INFORMATION

- Investment Objectives** The investment objective is to provide 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 FCA rules. If you wish to request further information, the more detailed long form report is available. For a copy please write to Marlborough Fund Managers Ltd, Marlborough House, 59 Chorley New Road, Bolton BL1 4QP or telephone customer services on 0808 145 2500.
- Risk Warning:** The past is not necessarily a guide to future performance. Investments and the income derived from them can fall as well as rise and the investor may not get back the amount originally invested. The Fund is subject to an initial charge and subsequently charges are not made uniformly throughout the period of the investment. 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.

MFM TECHINVEST TECHNOLOGY FUND

AUTHORISED INVESTMENT ADVISER'S REPORT

For the six month period ended 31 October 2013

Percentage change and sector position to 31 October 2013

	<u>Six months</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>	<u>Since launch**</u>
MFM Techinvest Technology Fund	26.22%	49.82%	73.34%	243.59%	236.99%
Quartile Ranking*	1	1	1	1	1

*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)

Your Fund ended the half year to October 31 with an increase of 26.22%. This compares with a gain by the FTSE 100 of 4.69% and one of 10.18% by the techMARK AllShare index.

With more than 60% of the Fund invested in North America throughout the half year, it is pleasing to observe that it comfortably outperformed the Nasdaq Composite index which achieved an increase of 17.75% over the period. Even more satisfactory, the tech-rich Russell 2000 index, which is comprised of small and mid-cap US stocks, only gained 16.12% during the six months to October 31.

While the London market performance over the period was somewhat lacklustre, the trend in North American markets was distinctly to the upside. The signs are that the overall positive bias is likely to continue at least until the New Year.

After that, who knows but our own feeling is that 2014 is unlikely to be as rewarding for equity investors on both sides of the Atlantic as 2013 will turn out to have been. However, even in a mixed market environment, we expect no shortage of interesting and attractive investment opportunities from within the ever-evolving and dynamic technology sector.

Since its inception on 19 May 2003, the unit price of shares in your Fund has increased by 236.99%. This is far in excess of the 70.79% improvement recorded by the FTSE 100, the 121.60% gain by the FTSE SmallCap or the AIM AllShares' 33.33%. Over the same period, the Nasdaq Composite is up 162.58%, while the London techMARK AllShare index increased by 231.00%. It should be noted that this latter 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 firmly focussed on smaller cap stocks as, taking the long-term view, we strongly believe that is where the best value is normally found.

This applies equally to our selections on both sides of the Atlantic. In fact, a number of our holdings are little covered, or even in the case of a few not at all, by analysts. This inevitably results in undervalued opportunities which we have been able to exploit on behalf of the Fund.

North American content at October 31 was 66.82% (US 59.43%; Canada 7.39%). This includes Alcatel-Lucent, one of the world's largest manufacturers of telecommunications equipment which has its headquarters in Paris. However, only a minority of its employees and operations are based in France; it continues to have a significant presence in the US, including the world-famous Bell Labs research powerhouse. The shares continue to be traded in ADR form on the NYSE, which is where the Fund purchased its holding.

The Fund ended the half-year with a cash content of 3.98%, around about what is typical for the Fund. Our normal policy is to remain close to fully invested – this forces us to be questioning at all times of the positions held and their relative weightings.

The ten largest London holdings in the Fund at October 31 were, in alphabetical order: blinkx (the price of the shares has since risen substantially, following release on November 4 of a very strong set of interim results), dotDigital, Globo (a stock that attracts strong two-way views), Innovation (continuously in the Fund since the early days), InternetQ, Pure Wafer (one of the Fund's more speculative recovery holdings), SQS Software Quality Systems (another very long-term successful holding), Telit Communications (the Internet-of-Things leader has its HQ in Italy), Utilitywise (utility cost management specialist with an avid private investor following) and Vislink. Five of these were also in the Top Ten London holdings this time a year ago, emphasising the Fund manager's preference for a buy-and-hold policy.

AUTHORISED INVESTMENT ADVISER'S REPORT (CONTINUED)

The ten largest North American holdings, also in alphabetical order, were: Alcatel Lucent, Calamp (shares in the M2M specialist were recently up eightfold from the Fund's original purchase in October 2011), Datawatch (a tiddler with exciting Big Data prospects), Facebook (added to the Fund once it became apparent the Company was experiencing explosive profits growth from monetising mobile advertising), iPass (international Wi-Fi for corporate customers), Move (we have since taken a little profit off the table on concerns the US housing market recovery may be about to stumble), Sierra Wireless (the revamped company is attracting serious investor interest as a result of its focus on M2M applications for the automotive sector), Zhone Technologies (after several years of serial disappointment, shares in the telecoms equipment manufacturer have rocketed eightfold this year on the back of a long-awaited return to profitability), Redknee Solutions (after a transformational acquisition, the Canadian provider of billing and operational systems for mobile communications operators is the second largest holding in the Fund) and Sandvine (data traffic management products for communications service providers and the Fund's largest position).

Looking forward, we see no reason why tech stocks in our universe should not continue to outperform, with downside in so many protected by cash-rich balance sheets. However, we are also conscious of the fact that the current bullmarket is now well over four years old.

We are minded of the years 1991/1993, in the aftermath of the then-worst economic depression for 60 years. Both London and Nasdaq performed very strongly between late-autumn 1990 and the beginning of February 1994 (London rose 79%, while Nasdaq more than doubled). The bullmarket run was then brought to a sharp grinding halt by a sudden rise in US interest rates.

A five/six month mini bearmarket followed on both sides of the Atlantic (London fell 19.6% and Nasdaq by 14.1%). After that, both markets enjoyed a multi-year bullmarket period, with technology stocks to the fore.

It is, of course, unwise to be in any way definitive about the future direction of any stockmarket over the medium term but our gut feeling is that, taken as a whole, the next few years should be good for tech stocks, albeit with the occasional stomach-churning squall from time to time. However, the Techinvest philosophy has always been one of long-term focus, with the inevitable dips and declines along the way to be viewed as opportunities.

And we continue to expect no shortage of attractive opportunities from within the tech sector. In our view, prime factors fuelling the escalating tech boom are the Mobile Internet and the resulting explosive growth in data and video traffic over the next few years, with social networking increasingly fanning the flames. Other major propelling trends include SaaS software (software-as-a-service), Cloud Computing, M2M ("Internet of Things"), Big Data and the latest, 3-D printing. The latter is a theme to which the Fund has no current direct exposure. The only position in the space held by the Fund, 3D Systems, was sold this month a year ago on some accounting issues that concerned us. By then, the shares had more than doubled since purchase.

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. It can also be found in the Financial Times each day and at 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.

Techinvest Ltd.

Investment Manager – 20 November 2013

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MFM TECHINVEST TECHNOLOGY FUND

Material Portfolio Changes

For the six month period ended 31 October 2013

Major Purchases	Cost (£)	Major Sales	Proceeds (£)
Facebook	539,017	Nokia ADR	627,172
Xyratex	520,486	Web.com Group	550,271
M/A-COM Technology Solutions	484,673	Clearwire 'A'	538,335
Sierra Wireless	454,128	CSR	367,463
Alcatel Lucent 'A'	435,743	Aviat Networks	349,204
Micron Technology	402,900	Lifelock	345,285
TriQuint Semiconductor	399,223	NetQin Mobile ADR	310,315
Arris Group	394,827	Apple	293,205
Millenium Media	377,468	Guidance Software	278,658
Teradyne	357,827	Active Risk Group	274,266
Brady	346,755	Sonus Networks	268,866
Boingo Wireless	336,113	Indigovision Group	263,859
Zynga	330,303	Infinera	222,035
Yelp	329,243	Escher Group Holdings	221,444
Apple	300,530	Avanti Communications Group	218,459
Entropic Communications	286,392	Craneware	195,311
Accumuli	249,828	Mitel Networks	187,098
Radware	248,168	Calamp	184,509
Fusionex International	247,122	Lionbridge Technologies	164,020
Outsourcery	244,332	Dialight	161,478
Other purchases	4,019,999	Other sales	1,727,566
Total purchases for the period	11,305,077	Total sales for the period	7,748,819

TOP TEN HOLDINGS AS AT 31 OCTOBER 2013

	%
Sandvine	3.01
Redknee Solutions	2.90
Calamp	2.66
Zhone Technologies	2.48
blinkx	2.31
Move	2.02
Facebook	1.95
Alcatel Lucent 'A'	1.89
Datawatch	1.81
Sierra Wireless	1.72

TOP TEN HOLDINGS AS AT 30 APRIL 2013

	%
Sandvine	2.74
Meru Networks	2.73
Redknee Solutions	2.58
Idox	2.43
blinkx	2.43
Calamp	2.22
Clearwire 'A'	2.15
Move	2.08
Aviat Networks	2.06
Infinera	1.97

MFM TECHINVEST TECHNOLOGY FUND

FUND FACTS

Launched Accumulation Shares 29 April 2003 at 100p
On 31 December 2012 the shares were reclassified as Class A. Class B and Class P shares became available for purchase on 31 December 2012.

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

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

Minimum Investment	Class A	£1,000
	Class B	£50,000
	Class P	£1,000,000

IMA Sector Technology & Telecommunications

Ongoing Charge Figure as at 31 October 2013 Class A 1.75%, Class B 1.27%**, Class P 1.02%**

Ongoing Charge Figure as at 30 April 2013 Class A 1.78%, Class B 1.28%*, Class P 1.03%*

* period 9 January 2013 to 30 April 2013

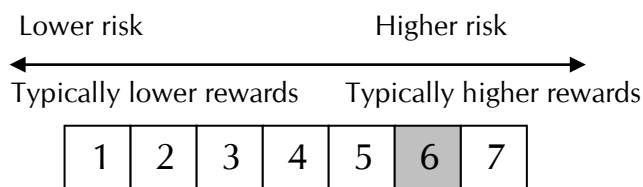
** period 9 January 2013 to 31 October 2013

The ongoing charge figure is based on expenses for the year, except as indicated above. The ongoing charge figure has been annualised to give a more accurate representation of the true cost over one year.

This figure may vary from year to year. It excludes:

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

SYNTHETIC RISK AND REWARD INDICATOR



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

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

MFM TECHINVEST TECHNOLOGY FUND

SUMMARY OF FUND PERFORMANCE

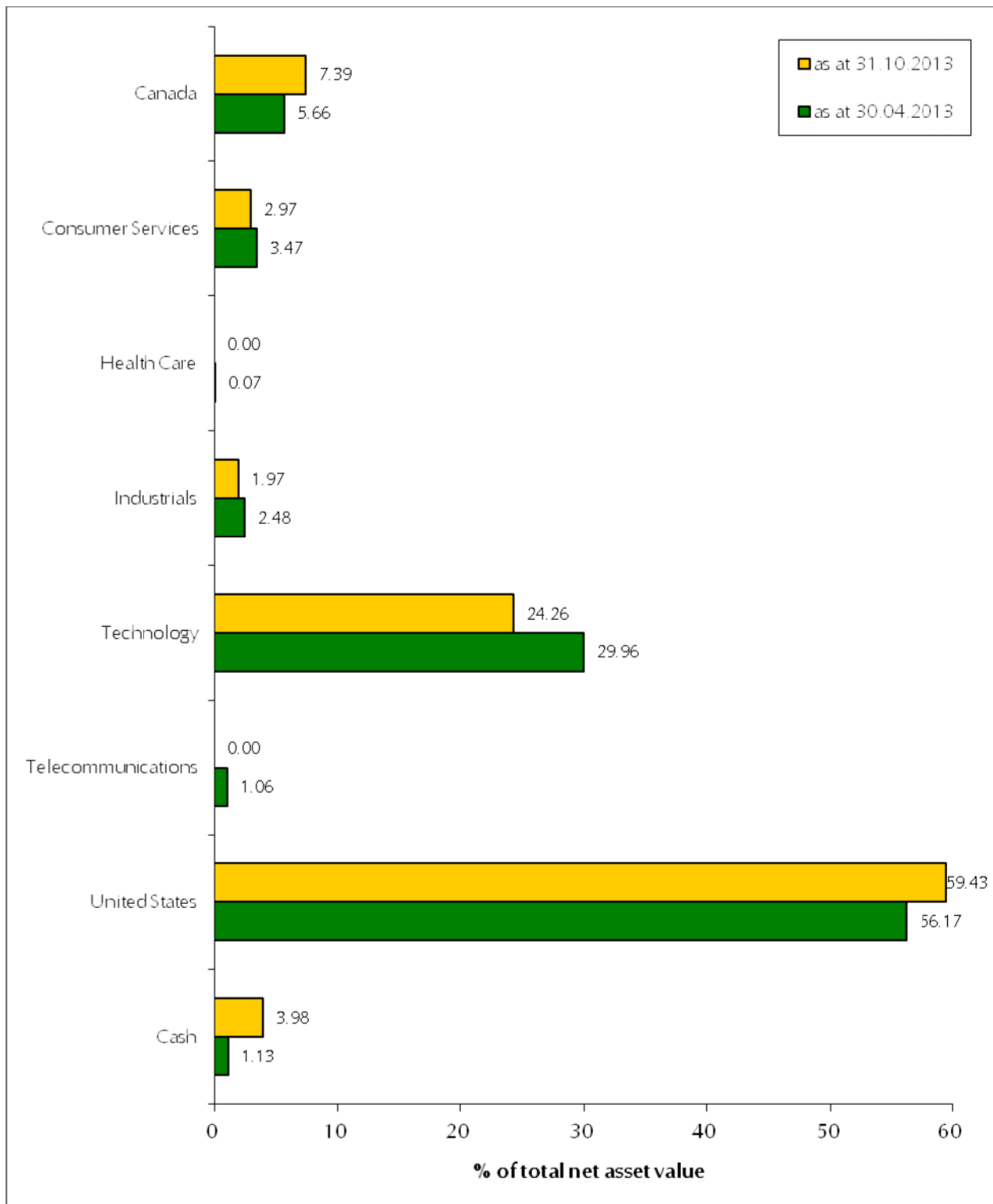
Year	Highest Price	Lowest Price	Distribution Per Share
<u>Class A</u>			
2008	143.12p	87.91p	-
2009	154.48p	87.65p	-
2010	214.63p	153.63p	-
2011	235.05p	187.37p	-
2012	234.88p	195.15p	-
2013*	345.06p	236.57p	-
<u>Class B</u>			
2013*	346.73p	236.57p	-
<u>Class P</u>			
2013*	346.98p	236.57p	-

*up to 31 October 2013

	Net asset value of scheme property	Number of accumulation shares in issue	Net asset value per accumulation share
<u>Class A</u>			
30 April 2011	£22,203,584	9,713,938	228.57p
30 April 2012	£19,957,501	9,139,695	218.36p
30 April 2013	£23,533,053	8,883,558	264.91p
31 October 2013	£34,612,887	10,320,282	335.39p
<u>Class B</u>			
30 April 2013	£265	100	265.32p
31 October 2013	£91,592	27,172	337.08p
<u>Class P</u>			
30 April 2013	£390,875	147,179	265.58p
31 October 2013	£699,469	207,351	337.34p

MFM TECHINVEST TECHNOLOGY FUND

PORTFOLIO BREAKDOWN



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