



# **MFM Techinvest Technology Fund**

## **Short Report**

**For the period from 1st May 2013 to 30th April 2014**

## **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 by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation 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.

AUTHORISED INVESTMENT ADVISER'S REPORT

For the year ended 30 April 2014

Percentage change and sector position to 30 April 2014

	<u>Six months</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>	<u>Since launch**</u>
MFM Techinvest Technology Fund	1.46%	28.49%	49.41%	213.14%	243.04%
Quartile Ranking*	2	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 achieved a gain of 28.49% for the year to 30 April 2014. Most of this was achieved during the first half of the year. Since then, markets in both the UK and North America have traded within a fairly narrow range, limiting the opportunities for superior performance. At least, the 28.49% increase represents a reasonable improvement over the gain of 20.88% achieved the previous year. The cumulative advance for the past five years from 30 April 2009 now amounts to 213.14%.

The Fund considerably outpaced the FTSE 100 Index which recorded a gain of 5.44% for the full twelve month period. However, the margin over the Nasdaq Composite was much smaller – it was ahead by 23.61% over the same timeframe. The tech-rich Russell 2000 index which is comprised of the smallest 2,000 US stocks in the Russell 3000 index, advanced by 18.93% over the year. Again, most of this occurred during the first half to October 31.

Typically, some 65% of the value of the Fund throughout the year was represented by stocks traded on North American markets. The actual percentage held at the close on 30 April 2014 was 69.8%. As the Fund continues to grow in size, it is likely that this percentage will increase further due, at least in part, to the greater liquidity and choice available in those markets relative to London. The ability to get in and out of a particular market cap size is far easier on Nasdaq than on the London Stock Exchange (LSE).

Although it is now over five years since the major bear market centred on 2008 ended, we see no reason to anticipate a return to such conditions. Parallels to the years in the aftermath of the recessions in 1973/74 and 1990/91 suggest that markets may now be in for a relatively short period of indecision, with trading stuck in a range of plus/minus 10% or so of current levels. After that, as economic recovery returns to historic norms (arguably, the UK economy is already at or even above this point), investor confidence should improve further, pushing markets on both sides of the Atlantic to new highs.

In the meantime, individual stock selection will be even more important and that, as always, will be our prime focus here at Techinvest. Apart from a very few isolated pockets in large-cap stocks (Big Data heavyweights such as Splunk and Tableau Software being an obvious example) valuations have remained very reasonable. For instance, super heavyweight Apple at the current \$600 or so share price is on a prospective P/E of only 12.5 for the year soon to start on October 1. On top of that, it has net cash of some \$155 a share (these numbers are all prior to the 7-for-1 stock split scheduled for June 9).

Since its inception on 19 May 2003 the unit price of shares in your Fund has increased by 243.04%. This is far in excess of the 72.03% improvement turned in by the FTSE 100, the 127.10% gain by the FTSE SmallCap or the AIM AllShare's 35.68%. Over the same period, the Nasdaq Composite is up 175.63%, while London's techMARK AllShare index gained 245.73%. 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. As since the beginning, we remain strongly focussed on smaller cap stocks as, taking the long-term view, we are firm believers that this 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 several, not at all by analysts. This inevitably results in undervalued opportunities which we have been able to exploit on behalf of the Fund, especially since the last bear market ended in early March 2009. Of course, patience is often needed with these, waiting for the market to eventually wake up to what we have spotted.

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

North American content at April 30 was 69.8%. This includes Paris-headquartered Alcatel-Lucent, bought in ADR form in New York, as well as several Israeli stocks mainly traded in New York. Positions are also held in eight Canadian companies.

The Fund ended the year fully invested. Running a position pretty close to, or fully invested forces us to be questioning at all times of the holdings we already own and of their relative weightings. There is never a shortage of possible desirable replacements.

The ten largest London holdings in the Fund at April 30 were, in alphabetical order: Accumuli (one of our favourites in the cybersecurity space), Brady (commodity trading software), dotDigital (email marketing software and services on a SaaS basis), Escher (software for postal authorities around the world), IndigoVision (specialists in video surveillance and security; second largest holding in the Fund), InternetQ (since sold on concerns over cashflow), Kofax (listed in London since 1996, but also on Nasdaq since last December where most of the trading in the shares now takes place), Telit Communications (fast-growing M2M specialist), Utilitywise (energy procurement and cost management specialist) and old favourite 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.

The ten largest North American holdings, also in alphabetical order, were: Ceragon Networks (microwave radio equipment for long-haul telecommunications networks), ClickSoftware Technologies (scheduling software for mobile workforces), Infinera (leader in 100 Gbps fibre-optic transmission products), Meru Networks (leader in 802.11ac wireless LANs for the education, healthcare and hospitality sectors), Numerex (cloud-based M2M solutions provider), Radware (networking traffic control and security solutions), Redknee Solutions (leader in billing and operational systems software for mobile network operators), Sandvine (data traffic management products for communications service providers and the Fund's largest position), Sonus Networks (telecoms networking company with a significant position in the fast-growing Session Border Controller (SBC) market) and VASCO Data Security International (after years of sleepy growth, business has accelerated on the back of new security products for the mobile banking sector).

Looking forward, we see no reason why tech stocks in our universe should not continue to outperform, with downside in so many of our holdings protected by cash-rich balance sheets. The dynamic ever-evolving nature of the sector means there is never any shortage of new themes, ideas and opportunities. As always, our focus is on balancing risk/reward against the size and clarity of the opportunity. We particularly seek out recovery situations with supporting fundamentals in the form of a high net cash content and low PSR (price-sales ratio) and PRR (price-research ratio). We also derive very considerable benefit from the North American practice (by almost every listed company) of the one hour Conference Call, usually held within an hour or two of the formal release of the latest quarterly results and which is open to all interested parties. The additional insights provided by the management commentary and/or in responses to analysts' questions (sometimes robust!) can be very helpful, especially in relation to forward guidance.

Stockmarkets on both sides of the Atlantic have been a little weak over the past few months. Indeed, some previous high-fliers have been notably so, especially on Nasdaq. For instance, the two Big Data giants, Splunk and Tableau Software, both more than halved over a recent ten week period, even though results and guidance more than met expectations. However, your Fund was relatively little affected by such happenings, largely due to our value stock selection orientation.

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

Our view of the recent slowdown is that it will likely prove to be temporary in nature, with a pickup before the autumn to give a strong end to the year. The parallel we make is with 1994 which saw a five/six month decline in the 15%-20% range in the earlier part of that year. This followed a three year bullmarket in the wake of the 1990/91 recession, at that time the worst the UK had experienced since the 1930s. The upwards trend had resumed by the early autumn of 1994 and, as long-term investors will recall, was followed by a multi-year bullmarket that proved to be exceptionally good for sensible tech-stock followers.

Back then, even though nobody had yet recognised it in early 1994, the advent of the Internet proved to be a major driving force. This time, we suspect it will be the IoT (Internet of Things), of which M2M (Machine-to-Machine) is an integral part. Indeed, your Fund already has a number of holdings providing exposure to this theme. The Big Data phenomenon will also be an integral part of this coming explosive growth cycle.

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 some 90% was invested in these, with the majority in North America.

The fund is valued once a week at 12.00 p.m. each Wednesday. The latest price is normally posted by 5.30 p.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.  
21 May 2014

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**TOP TEN HOLDINGS AS AT 30 APRIL 2014**

	%
Sandvine	4.56
IndigoVision Group	3.13
Vasco Data Security	2.20
Numerex	2.15
Radware	2.12
Ceragon Networks	2.11
Telit Communications	2.09
Redknee Solutions	2.07
Datawatch	2.07
Sierra Wireless	2.06

**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

### Material Portfolio Changes

For the year ended 30 April 2014

Major Purchases	Cost (£)	Major Sales	Proceeds (£)
Indigovision Group	1,254,483	Zhone Technologies	871,733
Numerex	977,052	Ipass	677,482
Millennial Media	823,994	Blinkx	627,282
Ceragon Networks	816,203	Nokia ADR	627,172
Calix Networks	732,344	Xyratex	620,756
Brady	719,417	Pixelworks	602,335
Redline Communications	716,603	Web.com Group	550,271
Apple	704,621	TriQuint Semiconductor	539,597
Sonus Networks	685,147	Clearwire 'A'	538,335
Arena Pharmaceuticals	663,114	Move	521,120
Vasco Data Security	650,335	Yelp	510,740
Sandvine	621,317	Callidus Software	456,298
Nice Systems	612,956	Pure Wafer	449,368
Entropic Communications	599,800	Ebay	428,417
Infinera	596,029	Digi International	422,019
Radware	588,682	Antares Pharma	414,993
M/A-COM Technology Solutions	586,068	Teradyne	411,677
Polycom	582,667	Calamp	406,476
Meru Networks	569,156	Datalink	402,536
Axcelis Technologies	547,603	Idox	392,561
Facebook	539,017		
Digital Barriers	538,273		
Supercom	537,303		
Quicklogic	533,846		
Envivio	526,107		
Xyratex	520,486		
Boingo Wireless	516,337		
Micron Technology	492,694		
Clicksoftware Technologies	490,151		
Other purchases	14,237,359	Other sales	11,074,045
Total purchases for the year	32,979,164	Total sales for the year	21,545,213

# 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.

<b>Accounting Dates</b>	(Final)	30 April
	(Interim)	31 October

<b>Distribution Dates</b>	(Final)	30 June
	(Interim)	31 December

<b>Minimum Investment</b>	Class A	£1,000
	Class B	£50,000
	Class P	£1,000,000

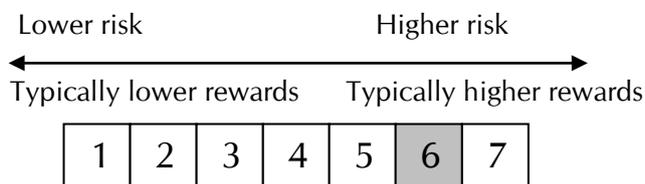
**IMA Sector** Technology & Telecommunications

<b>Ongoing Charge Figure as at 30 April 2014</b>	Class A 1.74%, Class B 1.22%, Class P 0.99%
<b>Ongoing Charge Figure as at 30 April 2013</b>	Class A 1.78%, Class B 1.28%*, Class P 1.03%*
* period 9 January 2013 to 30 April 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

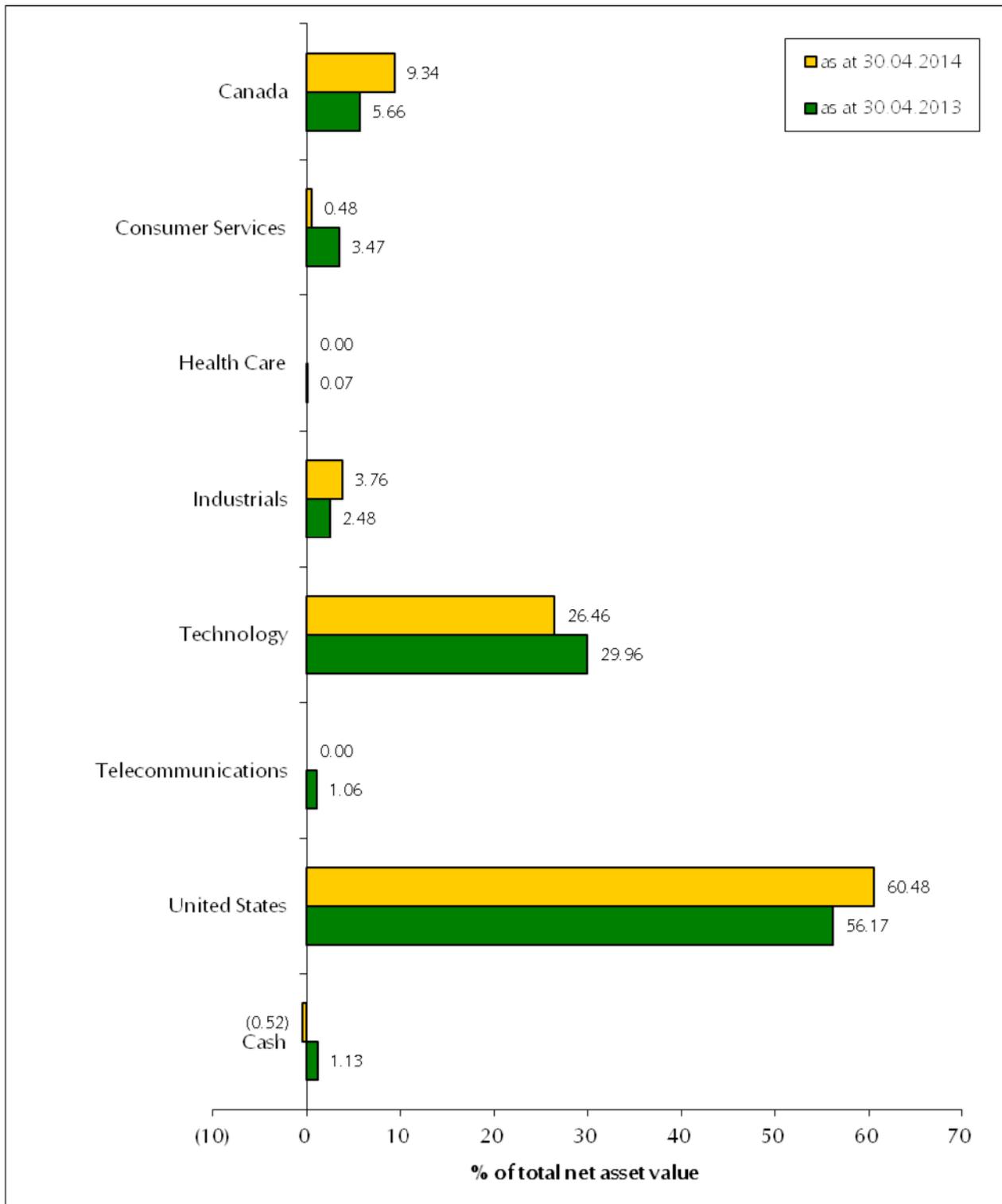
Year	Highest Price	Lowest Price	Distribution Per Share
<u>Class A</u>			
2009	154.48p	87.65p	-
2010	214.63p	153.63p	-
2011	235.05p	187.37p	-
2012	234.88p	195.15p	-
2013	361.15p	236.57p	-
2014*	381.46p	340.98p	-
<u>Class B</u>			
2013	363.35p	236.57p	-
2014*	383.83p	343.60p	-
<u>Class P</u>			
2013	363.65p	236.57p	-
2014*	384.24p	344.17p	-

\*up to 30 April 2014

	Net asset value of scheme property	Number of accumulation shares in issue	Net asset value per accumulation share
at 30 April 2012	£19,957,501	9,139,695	218.36p
at 30 April 2013 Class A	£23,533,053	8,883,558	264.91p
at 30 April 2013 Class B	£265	100	265.32p
at 30 April 2013 Class P	£390,875	147,179	265.58p
at 30 April 2014 Class A	£40,831,578	11,938,349	342.02p
at 30 April 2014 Class B	£678,563	196,854	344.70p
at 30 April 2014 Class P	£779,183	225,642	345.32p

# MFM TECHINVEST TECHNOLOGY FUND

## PORTFOLIO BREAKDOWN



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

Customer

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Intermediary

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